

# Charts of the Month

April 2024

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# Month in Review: April 2024

Three key market themes that investors need to take note of:



## **Geopolitics Are Changing Fast. Here is What Data Says**

The geopolitical landscape is shifting. The era of globalization is entering a new phase. Wars, elections, and protectionism are all contributing to a less certain future.



## **The Oil Market Upheaval Means Higher Prices**

Oil prices have risen in recent weeks, with the WTI price reaching close to \$90 at the time of writing. Inflationary pressures are leading to a re-evaluation in "higher for longer" rate expectations and to a bond market reset.



## **Fears of De-dollarization Are Overdone**

For years now the financial press and commentators at various asset managers have expected to see a decrease in the importance of the U.S. dollar on the international stage. So far, these expectations have proved to be nothing more than pipe dreams.

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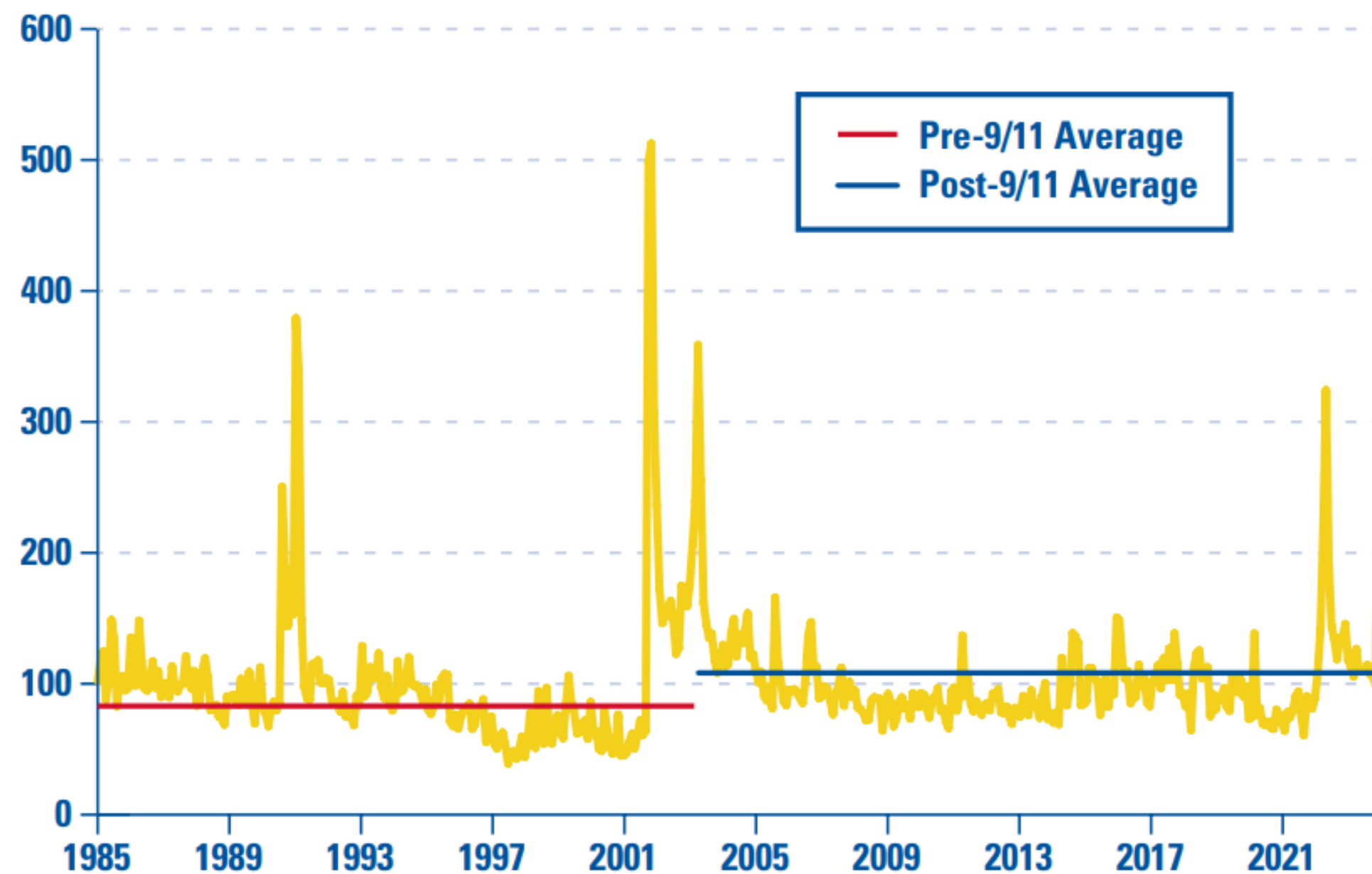
# The Changing Geopolitical Order

A new world order is being forged in the crucible  
of politics and trade.



# Markets Have Already Entered A New Era of Increased Geopolitical Risk...

## The Fed's Geopolitics Risk Index



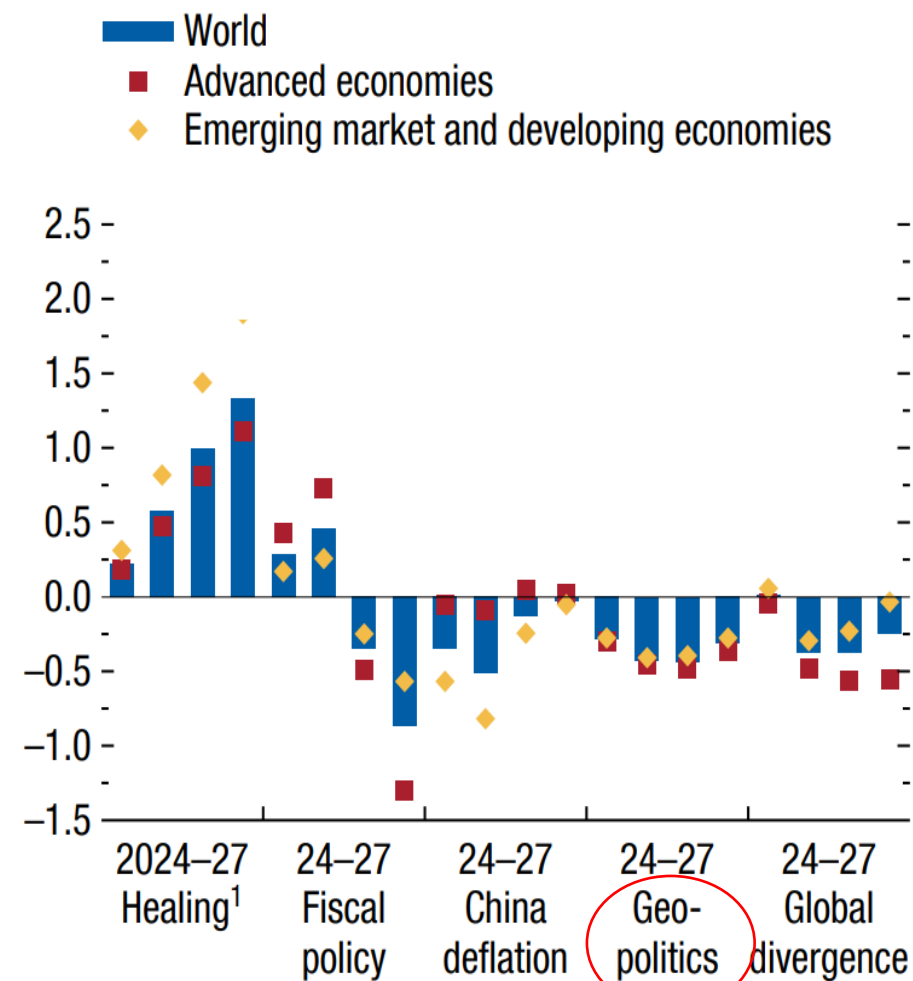
The rise in US-China tensions falls under the broader trend of geoeconomic fragmentation, best illustrated by the steady increase in the Fed's Global Geopolitical Risk Index [...]. The upcoming US election will likely keep the fraught US-China relationship at the top of the news."

Read City of London's full paper:

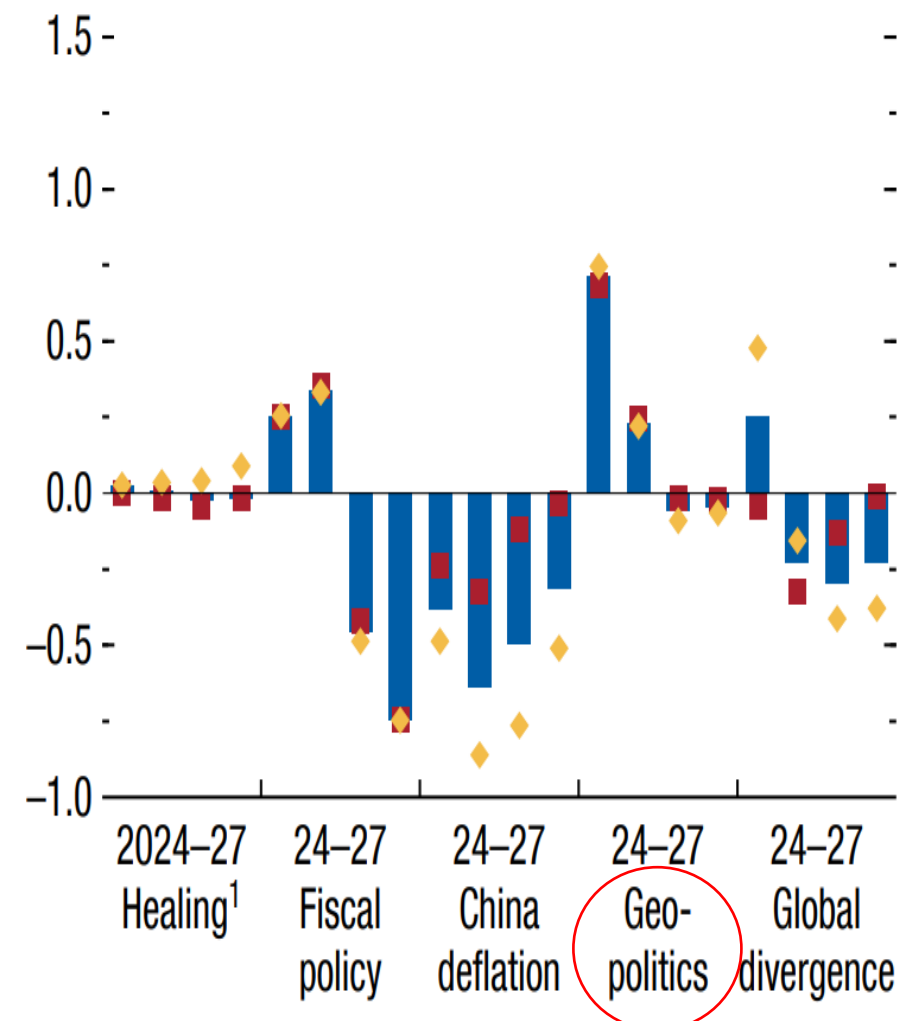
[US-China Relations: The Evolving Geopolitical Situation \(City of London\) , April 2024](#)

# ...This Weighs Heavily on the World's Economic Prospects in the Near-Term....

## Impact on GDP Level



## Impact on Headline Inflation



The scenario assumes that an escalation of conflict in the Middle East leads to a surge in oil prices and in shipping costs. Oil prices are 15 percent higher, a moderate increase by historical standards. Average container prices rise by 150 percent in 2024-25, an increase similar to that following recent incidents in the Red Sea. Most of the increase in the cost of shipping is concentrated in Asia-to-Europe routes. Oil prices and container costs return to baseline in 2026.”

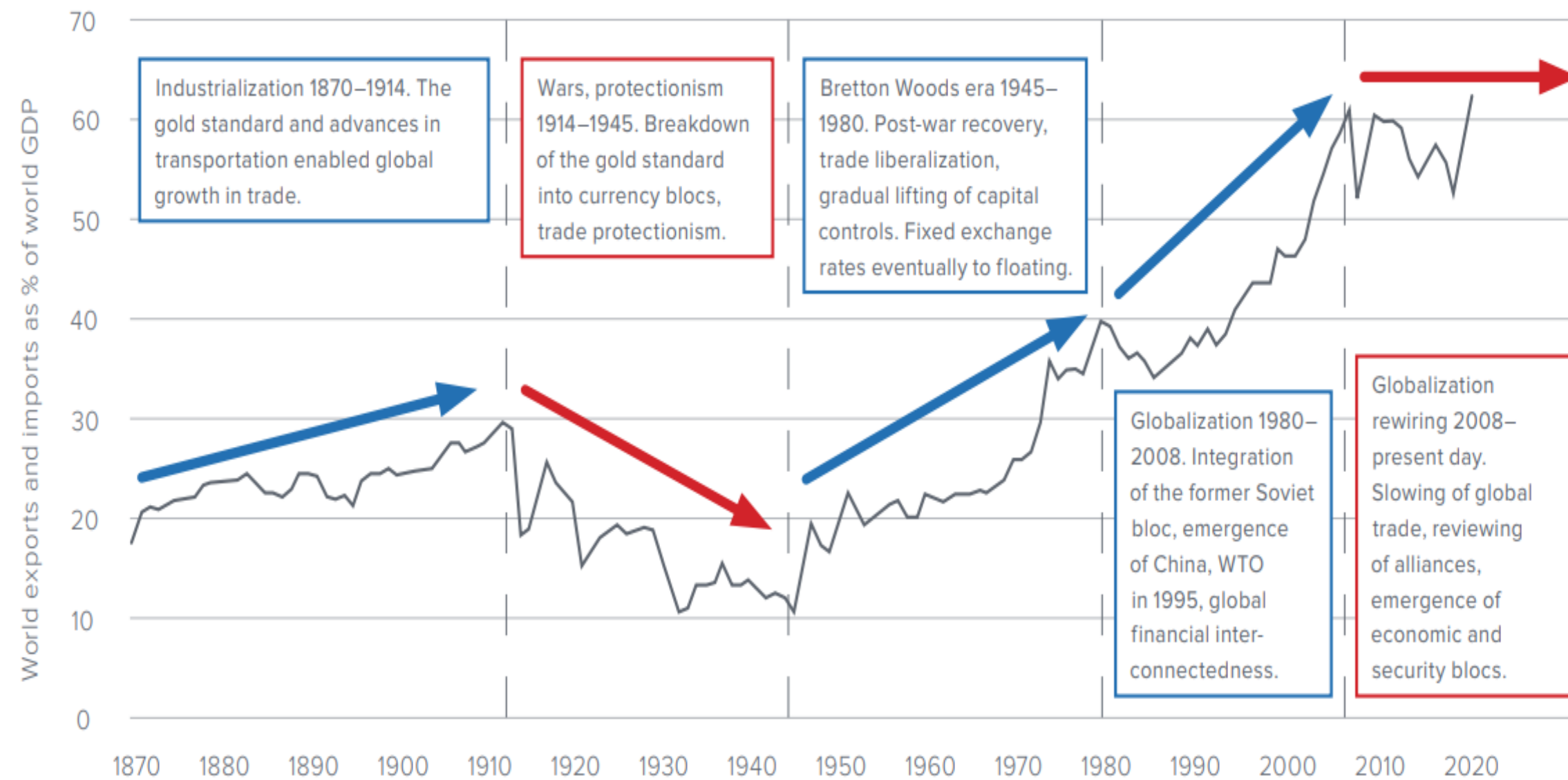
Read IMF's full article:

[World Economic Outlook Apr 2024 \(IMF\), April 2024](#)

Source: IMF  
The charts show the percentage deviation from baseline.

# ...but History Offers Plenty of Lessons on How to Navigate Murky Waters.

## Eras of Globalization



Since the global financial crisis in 2008, the pace of liberalization has slowed, with indications of a rewiring in economic and financial relations. Now, the “geopolitical thicket” looks more like sanctions, repatriation bans, export and import controls, conflict (direct and proxy), abrupt policy changes, and even data localization requirements, affecting companies and investors alike.”

Read FCLT’s full paper:

[Storm Clouds & Silver Linings: Long-term Investing in an Age of Geopolitical Uncertainty \(FCLT\), April 2024](#)

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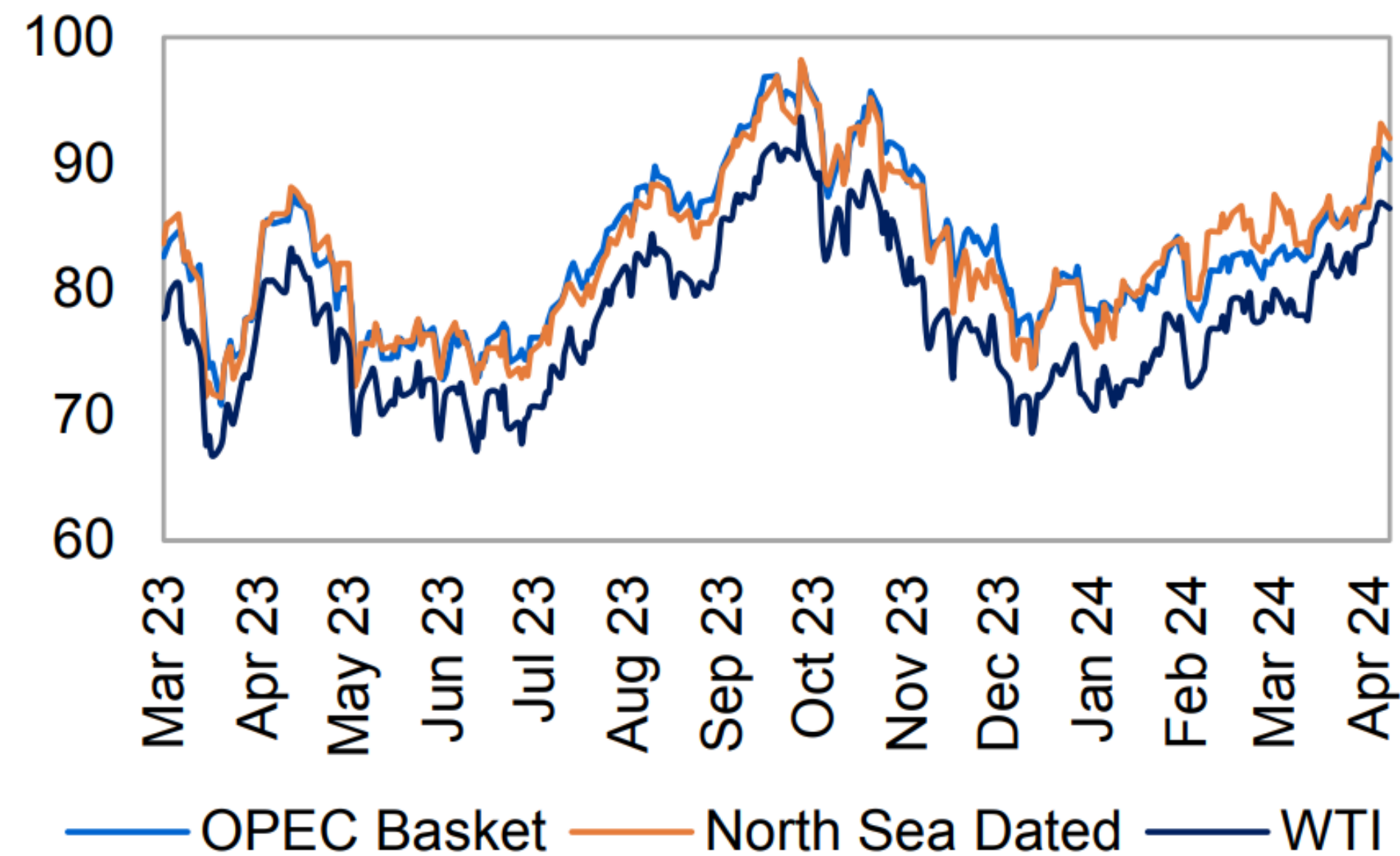
# Oil and the Other Dark Commodity

Oil prices have been climbing higher.  
As have those of other commodities.



# Oil Prices Have Moved Higher in Recent Weeks...

## Crude Oil Price Movements

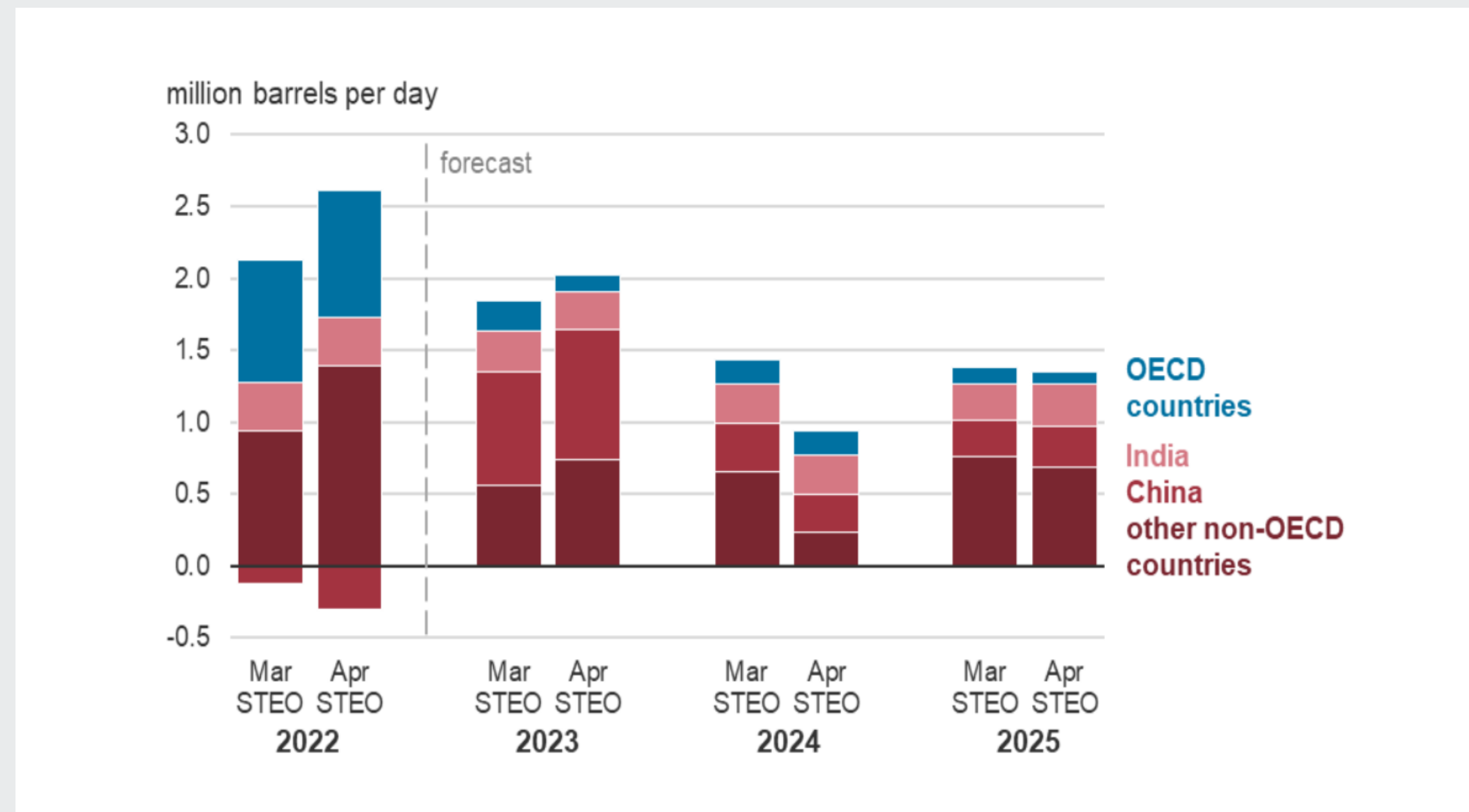


Crude spot prices rose in March, boosted by the rally in futures prices, higher financial flows in futures markets, and improving sentiments regarding oil market fundamentals. Ongoing geopolitical tensions added to the supply risk premium.”

Read OPEC's full paper:  
[Monthly Oil Market Report Apr 2024 \(OPEC\), April 2024](#)

# ...This Will Have Repercussions For Global Trade...

## Annual Change in Global Liquid Fuels Consumption

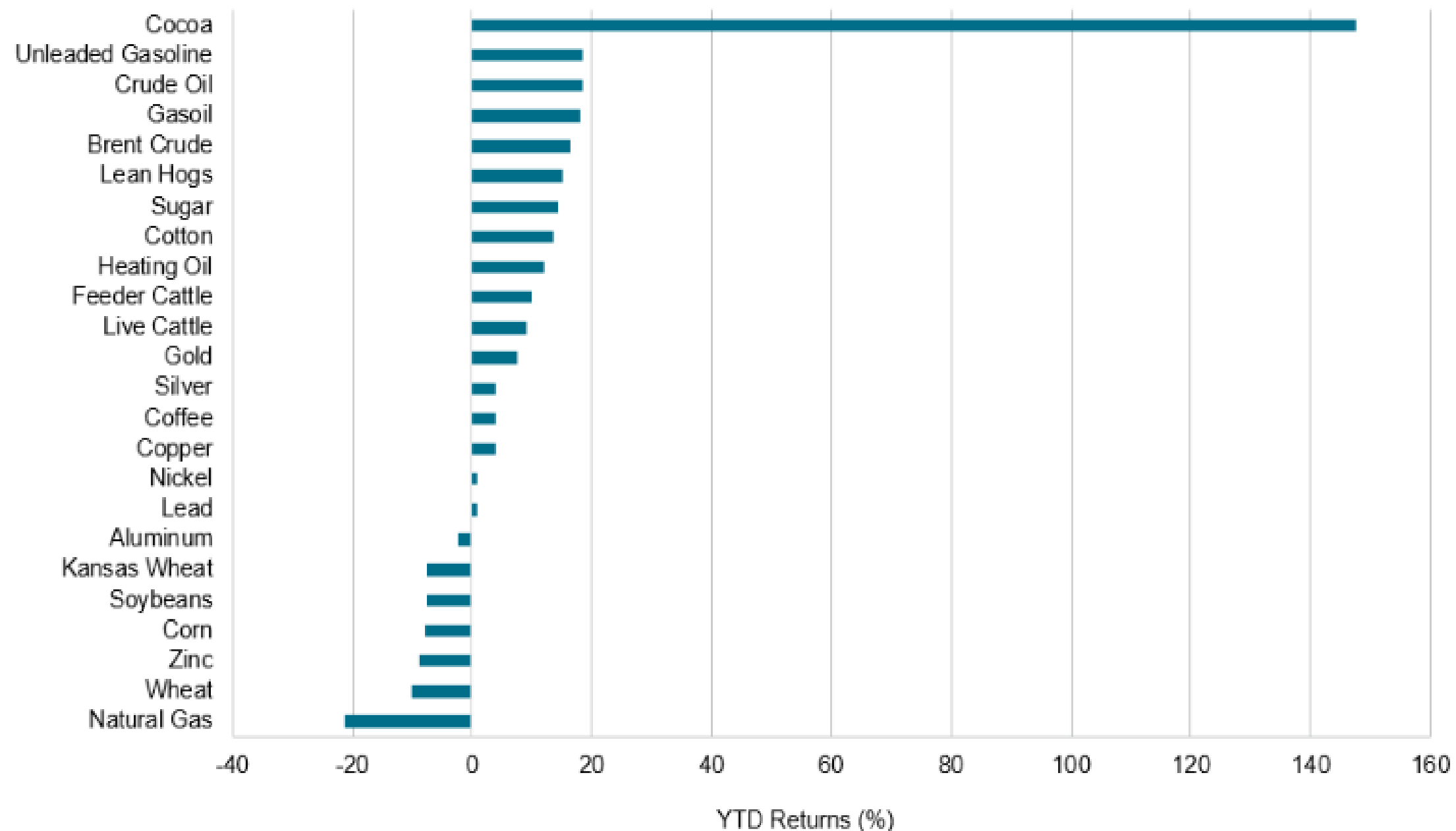


We now estimate that global liquid fuels consumption averaged 102.0 million b/d in 2023, a 2.0 million b/d increase from 2022 and about 1.0 million b/d higher than in last month's STEO. Global liquid fuels consumption in our forecast now averages 102.9 million b/d in 2024 and 104.3 million b/d in 2025 [...]."

Read US EIA's full paper:  
[Short-Term Energy Outlook - Apr 2024 \(US EIA\), April 2024](#)

# ...but Investors Shouldn't Ignore Another Commodity That Is Exploding in Price: Cocoa.

## S&P GSCI TR Constituents YTD Returns



Cocoa futures hit an all-time high as a perfect storm fueled prices. Poor weather in West Africa's prime cocoa growing region continues to be ravaged by El Niño weather patterns. Crop yields dropped over 10% due to extreme rain, then drought, in 2023. This acutely impacted growing regions beset by ageing trees near the end of their fruit bearing life and further strained by black pod disease, a fungus killing cocoa trees."

Read S&P Dow Jones Indices' full article: [Energy Pumps up the S&P GSCI and Markets Go Cuckoo for Cocoa \(S&P Dow Jones Indices\), April 2024](#)

 SAVVY INVESTOR

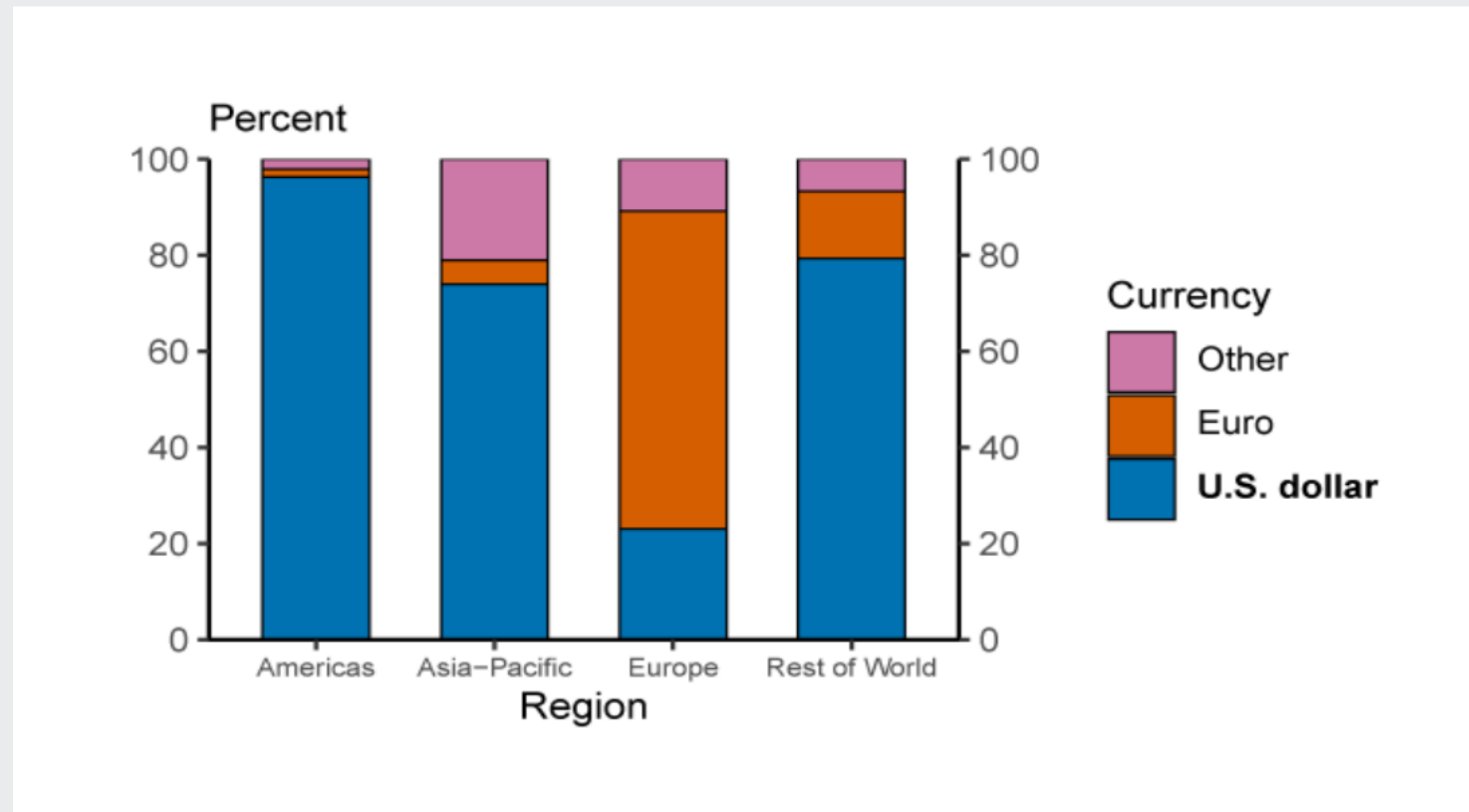
# The U.S. Dollar Is Here to Stay

The U.S. dollar may one day be gone.  
But that day might be centuries away.



# The Greenback Remains the Default Currency for the World Economy...

## Currency Denomination of Trade



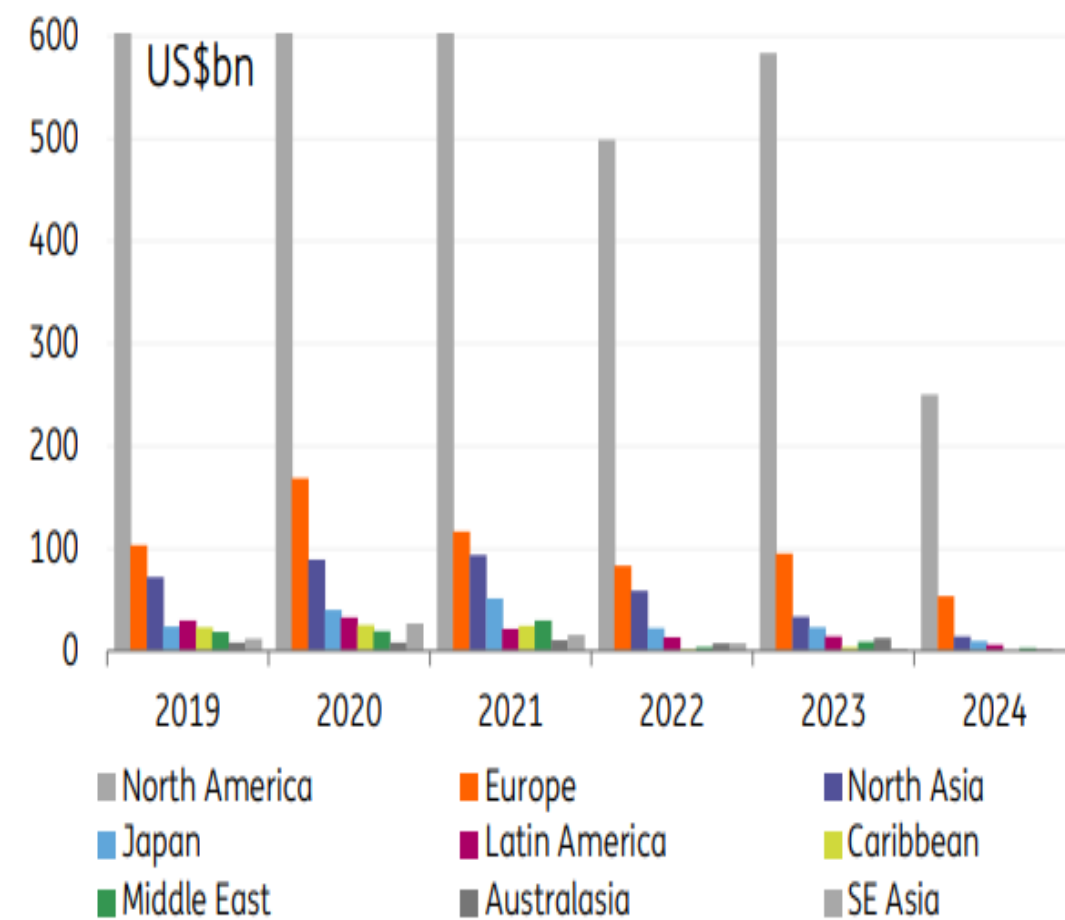
The US dollar continues to serve as the world's dominant currency. Whereas the United States accounts for roughly 25% of global GDP, international dollar usage across a range of measures is on the order of 60% or higher. These data are well documented by the staff at the Federal Reserve. Global exports remain heavily denominated in dollars, except in Europe."

Read AEI's full paper:

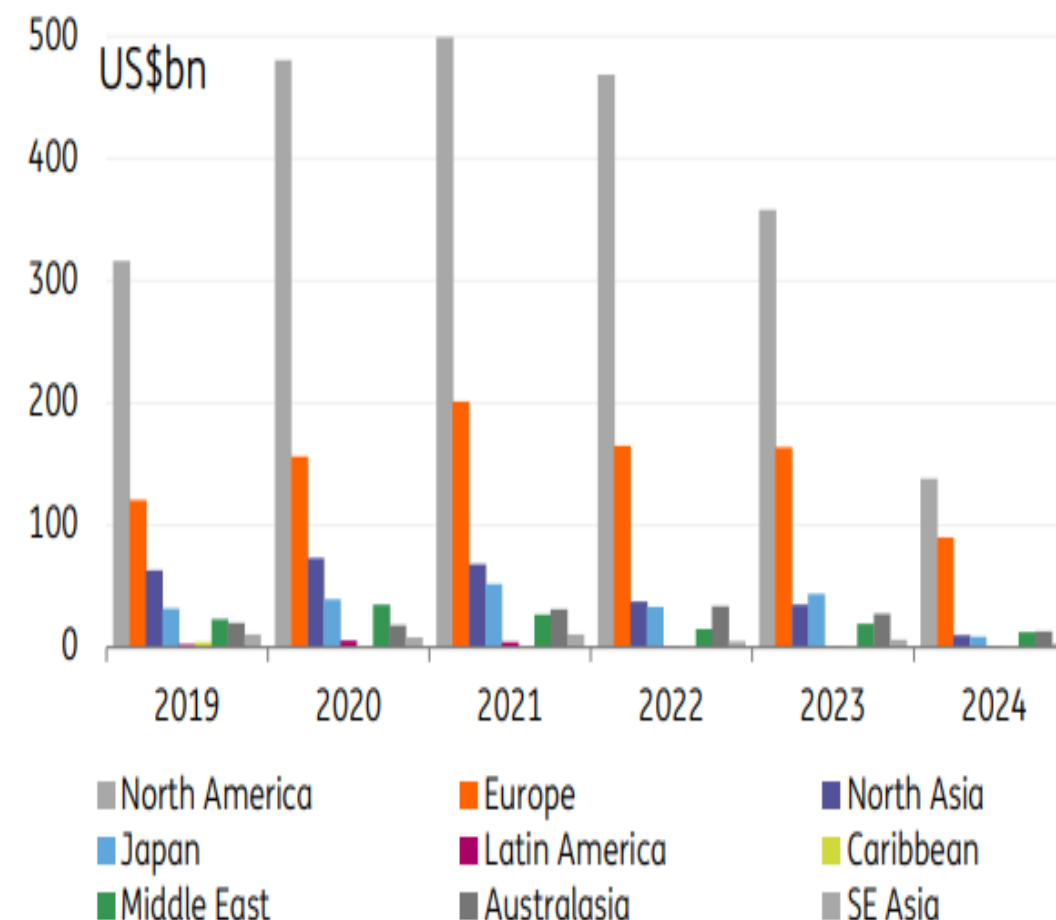
[Dollar Dominance Is Here to Stay for the Foreseeable Future \(AEI\), April 2024](#)

# ...and for Global Financial Activities...

## Corporate Supply per Country



## Financial Supply per Country



Corporate supply came to US\$80bn in March, lower than the significant €139bn of the previous month. It is also lower than the amounts seen in previous years (US\$125-190bn), except for last year (US\$68bn). Redemptions were relatively high in March at US\$63bn, resulting in US\$17bn net supply. [...]

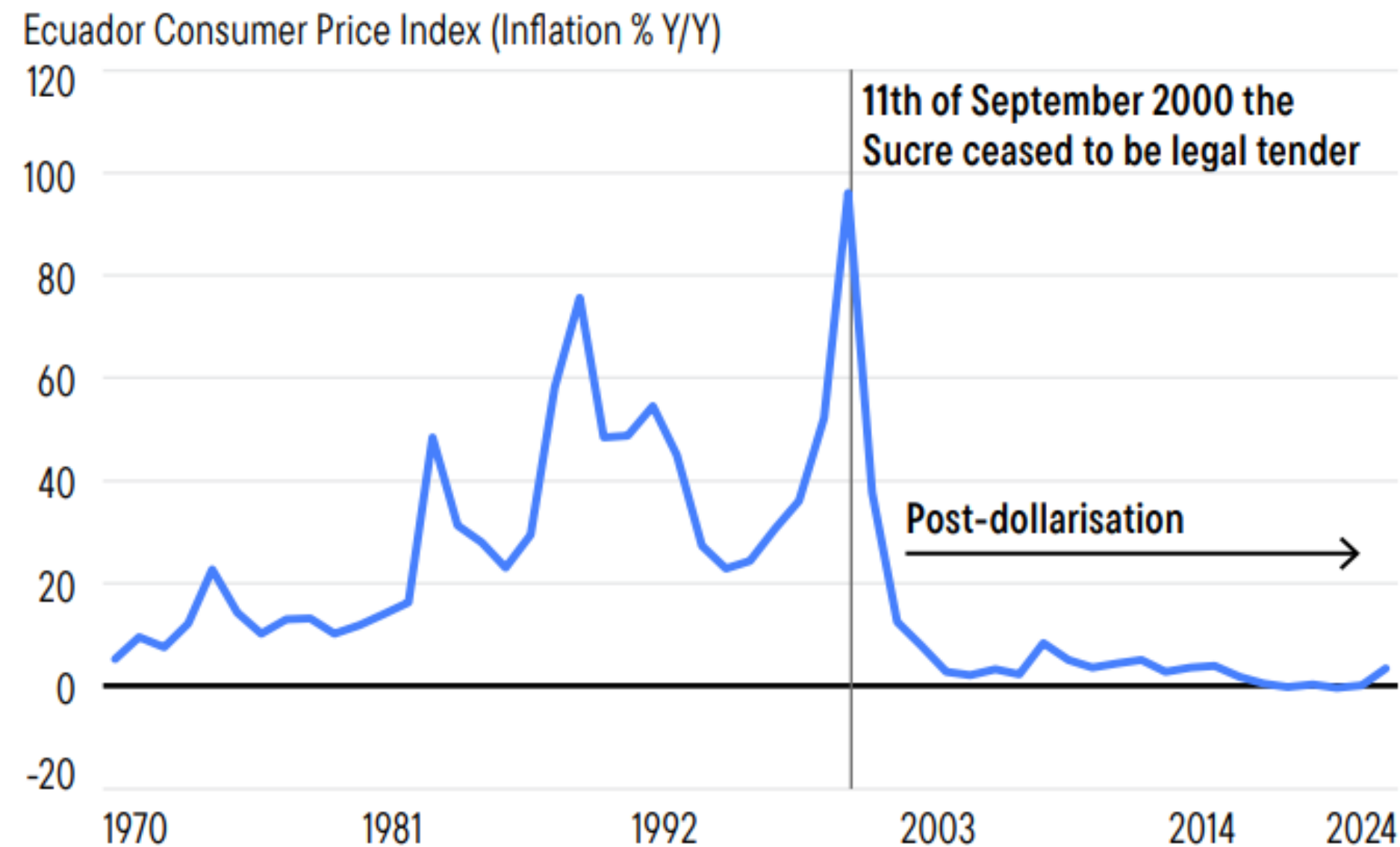
Financial supply slightly increased to US\$55bn, up from February, but still below the substantial supply seen in January. Redemptions are also relatively high at US\$33bn, resulting in net supply of US\$22bn for the month.”

Read ING’s full paper:

[U.S. Dollar Credit Supply: Notable supply in 1Q24 \(ING\), April 2024](#)

# ...thus, the U.S. Dollar Remains Especially Important for EMs, as Ecuador Demonstrates.

## Dollarization Has Encouraged International Trade in Ecuador



The key advantage of dollarisation is economic stability for countries with high inflation and unstable currencies. By adopting the US dollar, these nations aim to achieve price stability and a more predictable economic landscape [...].”

Read Franklin Templeton’s full article: [Dollarisation in Emerging Markets \(Franklin Templeton\), April 2024](#)

Source: Franklin Templeton

Note: This paper is geo-targeted. This means that only members in certain geographical regions can access it.

# Further Reading

## Geopolitical Shifts

[The Trump/Biden Rematch: Market Implications of Unprecedented Policy Divergence \(Wellington Management\)](#)

Macro Strategist Juhi Dhawan discusses six key areas of policy debate in this year's U.S. election that she expects will matter most to markets, from the tax and spending plans to trade and geopolitics.

[Geopolitical Risk and Decoupling: Evidence from U.S. Export Controls \(FRBNY\)](#)

Amid the current U.S.-China technological race, the U.S. has imposed export controls to deny China access to strategic technologies. The authors say that these measures prompted a broad-based decoupling of U.S. and Chinese supply chains.

## Oil and Other Commodities

[Global Oil and Gas M&A Outlook \(Kroll\)](#)

In this edition of the Global Oil and Gas M&A Outlook, the authors examine and evaluate current trends for commodities prices, leading sector indicators, valuation developments, and M&A deals.

[The What, Why And How Of Commodities \(LGIM\)](#)

What are broad commodities? Why might an investor want to gain exposure to them as part of a diversified portfolio? And how does the use of futures contracts influence potential returns?

**Note:** This podcast is geo-targeted. Therefore, only investors in certain geographies can listen to it.

## U.S. Dollar

[The U.S. Dollar Mirrors Its Economy \(Natixis IM\)](#)

The EUR/USD has been trading in a range between 1.05 and 1.11 since the beginning of 2023, but for how much longer?

**Note:** This paper is geo-targeted. Therefore, only investors in certain geographies can read it.

[Why Foreigners Want U.S. Securities -- But Not All the Dollar Exposure \(Wharton School\)](#)

Foreign investors are allocating ever-higher shares of their portfolios to U.S. dollar-denominated securities, but not necessarily because they want to hold U.S. dollars.

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