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# Commodity traders 'face year of uncertainty' despite oil price surge

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**GLOBAL** ([HTTPS://WWW.GTREVIEW.COM/NEWS/GLOBAL/](https://www.gtreview.com/news/global/)) / 19-01-22 / BY JOHN BASQUILL  
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Soaring oil prices are not necessarily good news for large commodity trading houses hoping to replicate last year's record profits, experts believe.

The international Brent crude benchmark rose above US\$88 a barrel this week, its highest level in more than seven years, prompting suggestions it could top US\$100 in the coming weeks.

The price surge has been widely attributed to **anticipated shortages in supply** (<https://www.gtreview.com/news/global/freight-rates-crisis-could-be-exacerbated-by-fresh-covid-outbreak/>) relative to rising demand as countries' economic recovery from the pandemic continues.

There have also been concerns that supply could be affected by souring relations in the Middle East, after a drone attack on three fuel trucks in the UAE was carried out by Yemen's Iran-aligned Houthi militant group. A Saudi-led coalition has since retaliated with deadly airstrikes in Yemen capital Sana'a.

The rising figures follow dramatic price increases across almost all commodity types in 2021. However, while that trend helped contribute towards **record profits for some of the world's largest traders** (<https://www.gtreview.com/news/global/inside-the-commodity-finance-flight-to-quality/>), experts do not believe those results will be replicated this year.

"Whilst volatility is great, markets are somehow more difficult to play for trading houses than last year," says Jean-François Lambert, founder and managing partner of Lambert Commodities.

The contango pattern in the first half of 2021 – where futures prices were consistently higher than spot prices – created a "comfortable pattern for large traders", Lambert says. Profits secured during that period were "locked in" despite that curve flattening in the second half of the year.

By contrast, he says the market now generally expects spot prices to drop over the coming months.

According to *Reuters*, industry insiders believe significant volatility would remain even if prices continue growing.

"There will be increasing pressure on oil prices in at least the next two months," an unnamed OPEC source tells the publication. "Under these circumstances, the price of oil may be close to US\$100 but it will certainly not be very stable."

For larger traders, Lambert says trading profits "would certainly be lower than in a straightforward contango pattern, despite the volatility".

At the smaller end of the market, high prices and a volatile market add to **existing pressures around profitability and access to finance** (<https://www.gtreview.com/news/global/inside-the-commodity-finance-flight-to-quality/>).

Unless they take "huge risks", Lambert says smaller traders "are not really able to play in these markets. as a small boat in rocky seas".

markets, as a result of the uncertainty.

Further ahead, fresh research by the World Bank predicts that macroeconomic factors and commodity supply issues "will likely continue to cause recurring commodity price swings" throughout 2022.

Growth in advanced economies is expected to slow to 3.8% this year, from an estimated 5% in 2021, it says in its *New Global Economic Prospects* report for the coming year, published last week. A fall in pent-up demand, lingering supply strain and dampened economic activity due to the Omicron variant are all expected to moderate growth.

Adding that the transition away from fossil fuels could amplify price uncertainties around many commodities, the World Bank warns that emerging market economies reliant on commodity exports "need to strengthen their policy frameworks and reduce their reliance on commodity-related revenues".

That includes by diversifying exports and national asset portfolios, the report says.

Tags: Brent crude (<https://www.gtreview.com/news/tag/brent-crude/>), Commodity Finance (<https://www.gtreview.com/news/tag/commodity-finance-2/>), Jean-Francois Lambert (<https://www.gtreview.com/news/tag/jean-francois-lambert/>), Lambert Commodities (<https://www.gtreview.com/news/tag/lambert-commodities/>), OPEC (<https://www.gtreview.com/news/tag/opec/>), World Bank (<https://www.gtreview.com/news/tag/world-bank/>)

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