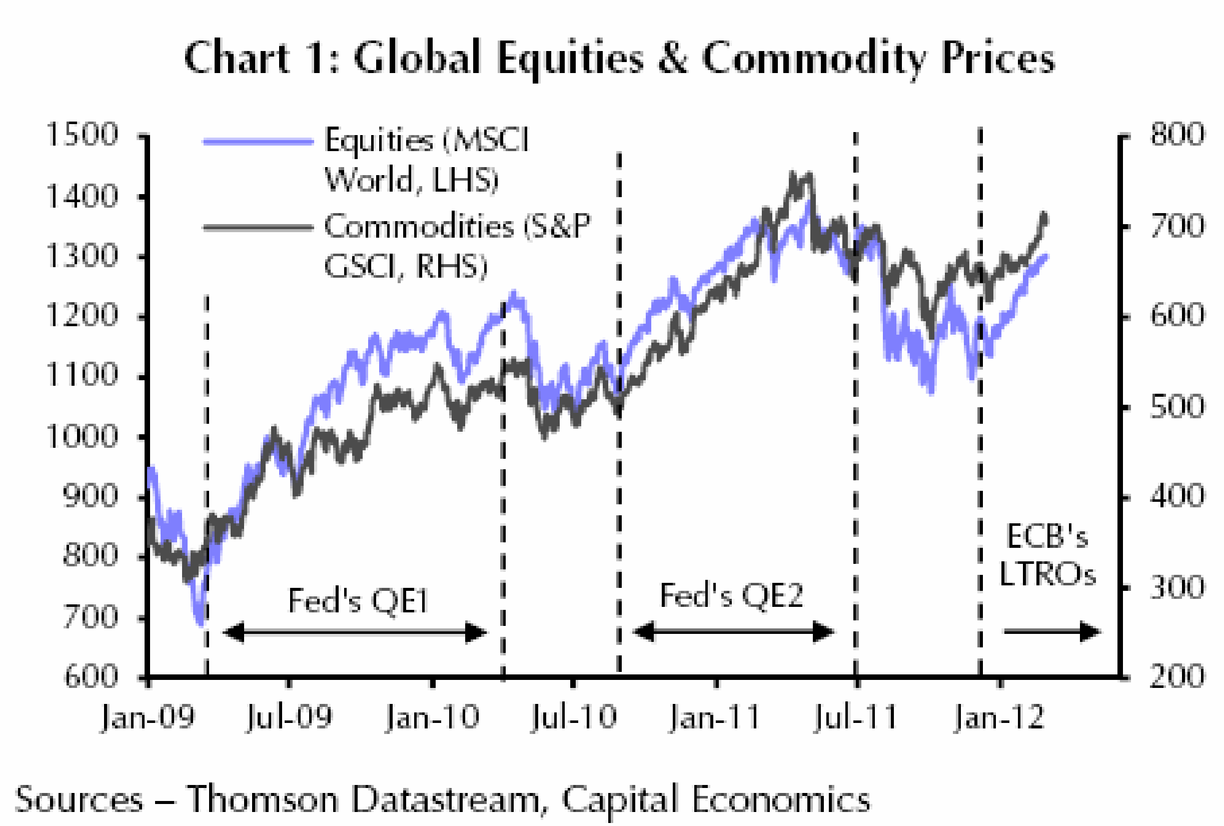
Commodities. The opinion of the market is that potential monetary stimulus will lead to further increases in commodities.

- ... And looking at this graph, we could easily conclude that this thought is correct.
- To each program of monetary stimulus, followed a rally in the price of raw materials (see Chart 1).
- This line of thought, is fed from 4 premises:

1. Monetary stimuli boost economic activity.
2. Increases the amount of cash available to invest.
3. Cause new demand for "hedge" against inflation.
4. And makes the dollar to weaken, which is a cheapening of commodities for non-American investors.

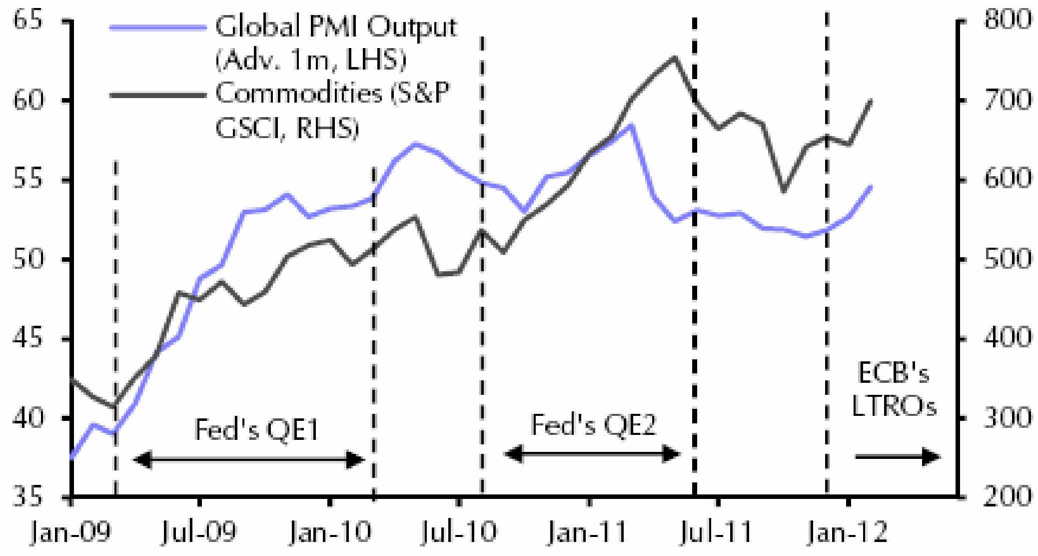


WITHOUT DOUBT, POWERFUL ARGUMENTS ... BUT NOT ETERNAL!!

Commodities. 4 reasons to believe that more stimulus will not provide a new impetus for commodities.

1. The spikes in the prices of raw materials are not explained by the QEs (as suggested by the graph on the previous page), but by a general improvement in global economic data (see chart) ...
2. ... And then comes the inevitable question: Is the QE which causes the improvement in economic data? After a long process of reflection, we must recognize that <u>there is little evidence that improved data is the result of monetary stimulus</u>.
   - First, because the rise in PMI is concentrated in regions that do not have implemented QE.
   - Second, because in those countries that implemented QE (eg USA) the QE's led to an improvement in confidence, but not a rebound in lending. Similarly, today in the Eurozone, the LTRO has led to an improvement in the perception of bank risk, but a do not translate into a surge in credit or a solution to the fiscal crisis.

Chart 2: Global Economic Activity & Commodity Prices



Sources – Markit, Thomson Datastream, Capital Economics

3. The recovery itself is being "disappointed" in the West, and with an estimated U.S. 2012 GDP of 1.5%, and 0% for the Eurozone ... It can not be said precisely that “monetary incentives” are working.
4. Most importantly, we believe that further monetary stimulus now have much less scope of influence for three reasons: The commodity prices are much higher (multiplied x 5 over the last ten years). Interest rates are already at 0%, and the USD is much weaker than in the past.

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