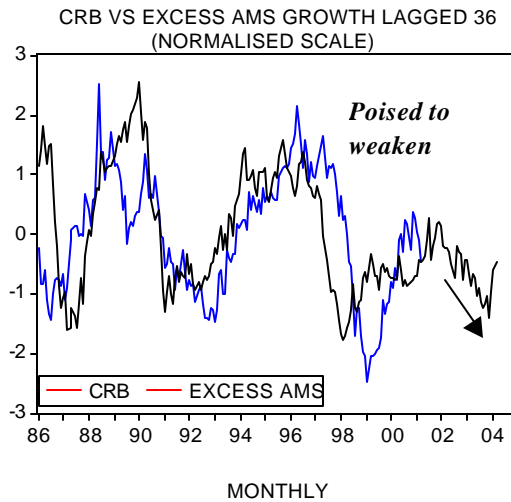
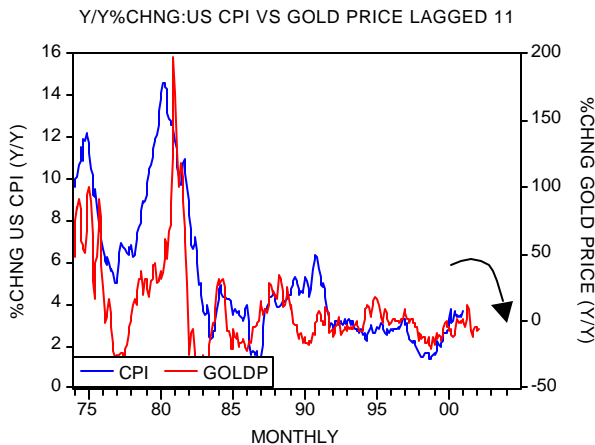


Commodity prices poised to weaken

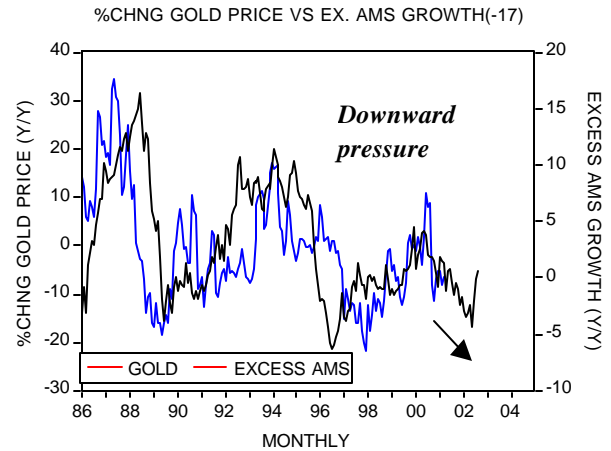
After reaching the figure of **229.79** at the end of November last year, the CRB commodity price index has been trending down. Using the lagged excess AMS money growth we can suggest that the CRB index will weaken further (see chart).



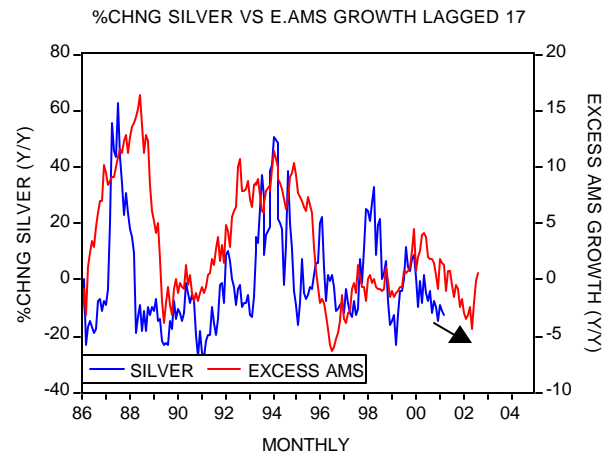
Meanwhile, after reaching the figure of **\$406.10** per ounce at the end of January 1996, the price of gold has been trending down. It fell to around **\$260** per ounce in early March. Historically, on average, yearly changes in the price of gold have led yearly changes in the US CPI by 11 months. Should this historical relationship hold this will imply that yearly rises in the CPI will remain subdued (see chart).



The lagged excess AMS money growth raises the likelihood that the gold price momentum will remain restrained in the months ahead (see chart).



The lagged excess AMS money growth also points to the weakening in the momentum of the price of silver (see chart).



Financial News

- US current account deficit up **31%** in 2000 to **\$435.38bn.**
- The Philadelphia FED business index rose to **-23.5** in March from **-30.5** in February.
- The ECB left its interest rate at **4.75%**.
- UK retail sales up **0.6%** in Feb after rising by **0.7%** in Jan.
- The BOJ is expected to lower the call rate to zero.

Thought for today

It is far more difficult to be simple than to be complicated
Anonymous