



Daily Macro Insights: Breakfast cost is soaring

31/08/2021

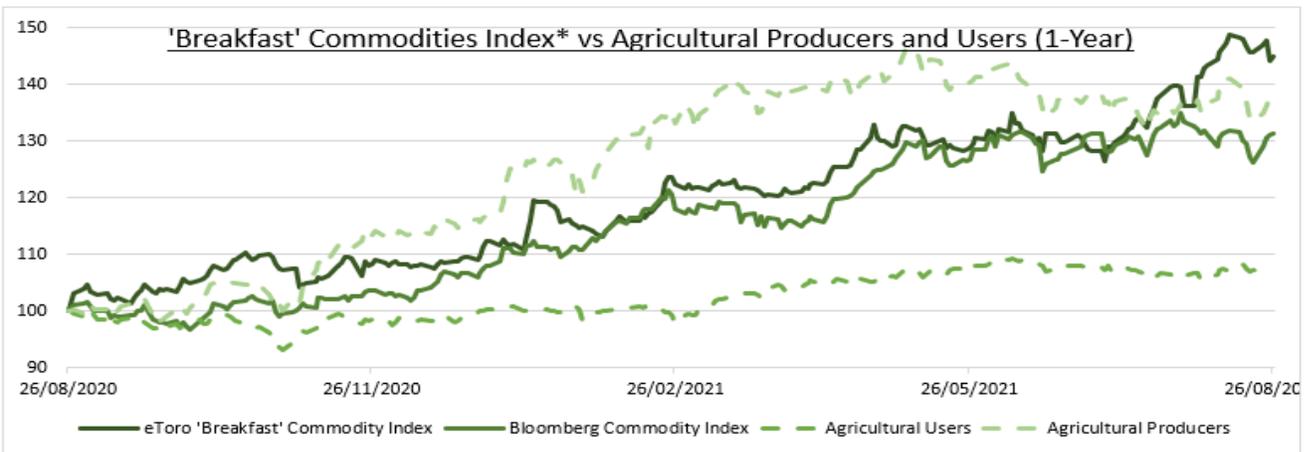
MORE EXPENSIVE: Our agricultural commodity 'Breakfast' price index (see chart) keeps soaring, +46% the past year, with world food prices at decade highs. Ag prices have been powered on by weather disruptions, even as the wider commodity rally took a breather. Disruptions are to continue, with La Niña [weather](#) forecast for major producers Brazil and Argentina. Consumer food stocks and emerging markets are bearing brunt of the impact.

MORE TO COME: Stronger demand as economies re-open, and weather-driven supply disruption, have pushed the ag price rally on. This disruption seems set to continue. The US government puts the chance of an upcoming La Niña global weather phenomena at 70%. This normally drives dry weather in Argentina and Brazil, two of the largest ag exporters.

OUR 'BREAKFAST INDEX': Our equal-weight index of eight popular breakfast items – from coffee to wheat - has led the broader commodity rally. Gains over the past year have been led by pork (+108%), oats (+67%), and coffee (54%), with cocoa (+8%) the only price laggard.

WINNERS & LOSERS: An index of global agricultural producers, from Deere (D) to Mosaic (MOS), has strongly outperformed, up 38% the past year. Whilst an index of ag users, like consumer food producers General Mills (GIS) and Kraft Heinz (KHC), is up only 7%, underperforming global equities, as they struggle to pass through cost increases. Emerging markets (EEM) are also hurt: food is less processed, a bigger part of disposable income, and with a large weight in inflation baskets. More inflation is driving EM interest rate increases.

TODAY: EU inflation to accelerate to 2.7% from prior 2.2% the same month last year. It is below 5.4% and the trend is flattening giving ECB room to keep policy very stimulative.



Source: Refinitiv, MSCI, eToro calculations. * Equal weighted index of Cocoa, Coffee, Milk, Oats, Orange Juice, Pork, Sugar, Wheat

Ben Laidler, Global Markets Strategist. Email: benla@etoro.com

This communication is for information and education purposes only and should not be taken as investment advice, a personal recommendation, or an offer of, or solicitation to buy or sell, any financial instruments. This material has been prepared without taking into account any particular recipient's investment objectives or financial situation, and has not been prepared in accordance with the legal and regulatory requirements to promote independent research. Any references to past or future performance of a financial instrument, index or a packaged investment product are not, and should not be taken as, a reliable indicator of future results. eToro makes no representation and assumes no liability as to the accuracy or completeness of the content of this publication.