



Lynch????????????Francisco Blanch?????1990??36%??  
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Monetary policy is tightening already in major emerging markets such as India, Brazil and China--key demand centers for commodities--as well as Europe. The question is, what happens when the Federal Reserve's second phase of quantitative easing, or QE, ends next month?

??quantitative  
easing??????QE??????????????

For commodities bulls, Thursday's weak U.S. employment data are actually supportive for commodities, because that should prompt more QE, reducing real rates further.

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QE3 is not a given, though. If it were, gold and silver would be strengthening. And while the Fed probably won't reduce the size of its balance sheet for months to come, Chairman Ben Bernanke acknowledged explicitly earlier this month that further monetary easing risked escalating inflation and derailing recovery.

?QE3??Ben  
Bernanke??

There is a further twist. Even if QE3 materializes, it could ultimately hurt industrial commodities especially. China's continuing linkage of the yuan to the dollar means further U.S. monetary easing would intensify domestic inflation. The risk of Beijing slamming on the brakes to contain prices, significant already, would rise further. And if China's appetite for raw materials is sated suddenly, you better be betting on QE33 to sustain the commodities bull run.

????????????????QE3??  
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