



Oil, Platinum, Gold to Climb, Merrill's Parrilla Says (Update2)

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By Kim Kyoungwha

Jan. 12 (Bloomberg) -- Oil, platinum, copper and gold will extend their rally this year as growth in emerging markets including China and investment demand fuel gains, Bank of America-Merrill Lynch executive **Diego Parrilla** said.

Crude oil will probably climb to \$100 a barrel by the end of year and gold will gain to \$1,500 an ounce in 18 months, said Singapore-based Parrilla, head of commodities for Asia Pacific, citing bank forecasts. Oil soared 78 percent last year and was at \$81.79 a barrel today. Gold traded at \$1,152.43 an ounce.

Commodities, as measured by the **Standard & Poor's GSCI Index of 24 futures**, jumped 50 percent last year, posting their best year since at least 1971, as governments pledged as much as \$12 trillion to combat the worst recession in seven decades. Returns beat the 27 percent gain in the MSCI World Index of stocks and a 3.7 percent loss in Treasuries as investors sought to protect their wealth against currency debasement.

"The outlook is very bright in terms of markets," Parrilla said in an interview yesterday. "If you don't hold commodities, you're not flat, you're short. The risks are skewed to the upside." The top picks are platinum, copper and oil, he said, citing predictions from bank analyst **Francisco**

Blanch.

Talent Inflow

Hedge funds and banks are hiring to tap opportunities in Asia where the International Monetary Fund said in October China, India and other developing countries will expand 7.3 percent this year, exceeding growth of 1.3 percent in advanced economies.

"The interesting dynamic is the West-East rebalancing," he said. "The East is where most of the **economic growth** is going to come from over the next five years. Commodities and Asia go hand-in-hand." China's gross domestic product may surpass that of the U.S. in 10 years, **Ma Jun**, chief China economist at Deutsche Bank AG, said in Beijing yesterday.

Parrilla added 10 people last year in Asia sales, trading and origination and his bank plans to increase its commodity headcount globally by 25 percent over the next three years. The Asian region will see an "inflow of talent," he said.

"The commodity story is very compelling for investors and I think it will remain so in 2010," **Tim Condon**, head of Asia research with ING Groep NV in Singapore, said today. Still, a "strong dollar and an anemic recovery" is possible for the U.S. and that may moderate gains, he said.

'Sweet Spot'

Investor demand for commodities, especially gold, is likely to increase as an expanding money supply may signal dollar weakness and rising inflation, Parrilla said. Most asset allocators tend to look at 5 percent to 10 percent in commodities as neutral and many are running "tactically" beyond that, he said. "You can print bonds, equities and currencies but you cannot print commodities," he said.

Platinum is in a "sweet spot," said Parrilla. The metal will outperform gold as automakers are a big beneficiary of government stimulus, increasing demand for the metal used in catalytic converters, he said. The metal traded at \$1,618.13 an ounce at 5:21 p.m. in Singapore today. Iron ore will continue to grow in terms of the services the bank provides, he said.

Copper will probably top \$8,000 a ton by 2011, said Parrilla. Three-month delivery metal traded at \$7,543 today.

Gold for immediate delivery rallied 24 percent last year as India, Mauritius and Sri Lanka bought more than half of the 403.3 tons that the IMF plans to sell to bolster its finances. "I won't be surprised to see more emerging market central banks buying gold," he said.

'Double Dip'

The biggest risk to the commodity rally would be a "double dip" in economic growth, which may curb demand for raw materials, Parrilla said. Other risks are a dollar rebound and possible monetary tightening, he said.

On commodities to avoid this year, he said he would "stay away from U.S. natural gas" where the total return "is likely to be negative."

Before joining Merrill in 2005, Parrilla was Executive Director Commodity Sales at Goldman Sachs Group Inc. in London for four years. He started his career at JPMorgan Chase & Co. in London as a precious metals trader in 1998.

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