

# WELLS FARGO Investment Institute

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## Commodity prices on the rise

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Over the past year, we have seen commodity prices surge higher — nearly across the board — on the back of accelerating economic growth and a muted supply response. While this has been welcome news to commodity producers and to those who invested in commodities, to the rest of the population, higher commodity prices just means higher costs for the common products that we buy. On top of the price surge, lingering commodity supply disruptions have in some cases, caused significant delays. For anyone involved in a home remodeling project, like myself, you know the frustration of being told that the building materials that you ordered will take 8-10 weeks to arrive and will cost 50% more than expected.

These more extreme supply disruptions should lessen in the coming months as producing, processing, and manufacturing plants work through the order backlog created by pandemic-induced shutdowns and strong demand.

Yet, the combination of decade's long underinvestment, newfound capital discipline by commodity producers, and lingering supply issues should allow accelerating commodity demand to overwhelm the supply response and to keep pushing prices higher. We are favorable on commodities and expect commodity producers and investors to benefit. But both individual and corporate commodity *consumers* should expect added pressure to their bottom lines.

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