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** WEDNESDAY, NOVEMBER 10, 2010 ~ VOL. CCLVI NO. 112 *** $2.00

DJIA 11346.75 ▼ 60.09 –0.5% NASDAQ 2562.98 ▼ 0.7% NIKKEI 9694.49 ▼ 0.4% STOXX 600 273.46 ▲ 0.6% 10-YR TREAS ▼ 27/32, yield 2.659% OIL $86.72 ▼ $0.34 GOLD $1,409.80 ▲ $7.00 EURO $1.3778 YEN 81.83

What's News—

Business & Finance

The Dow industrials dropped 60.09 points, or 0.5%, to 11346.75 as investors became increasingly concerned about the potential impact of the Fed's stimulus plans. Meanwhile, some European indexes hit two-year highs. The dollar rallied. C5

■ **Emerging-market demand** for raw materials and the flood of money promised by the Fed are pushing commodities prices to new highs. A1

■ **The U.S is pushing** to resolve disagreements over Seoul's treatment of American cars, aiming to clinch a trade deal before the G-20 summit. A15

■ **A Boeing 787 Dreamliner** made an emergency landing in Laredo, Texas, after the crew reported smoke in the

World-Wide

■ **Obama criticized Israeli plans for more settlements.** The president said building 1,000 new housing units in East Jerusalem could harm the peace process. Netanyahu strongly defended the plan. Obama also took a swipe at China during a visit to Indonesia, saying Beijing is artificially deflating its currency to boost exports. A8

Obama's trip will be cut short so his plane can take off for Seoul ahead of an expected volcanic ash cloud.

■ **CIA officers** won't be charged in the destruction of tapes showing harsh interrogation of terror detainees, the Justice Department said. A5

■ **Two top Senate Democrats** proposed extending Bush-era

Commodity Prices Surge

Gold, Cotton Touch New Highs as Fed Stimulus, Chinese Growth Drive Demand

Strong demand for raw materials from emerging markets and a flood of money promised by the U.S. Federal Reserve are pushing commodities prices to new highs.

The broad rally has gained steam since the Fed indicated in late August it would inject money into the U.S. economy. But the gains also reflect a powerful rebound from the financial crisis in China and other fast-growing markets. These forces may send prices higher still, potentially putting pressure on poor importing nations.

The International Energy Agency's chief economist said Tuesday that China's needs could drive oil to $110 per barrel by 2015—a 27% premium to the current price. Also Tuesday, the U.S. Department of Agriculture cut its harvest estimates for soybeans and corn, highlighting growing supply constraints.

"The underlying cause of this is strong emerging-market demand," said Lawrence Eagles, analyst at J.P. Morgan Chase & Co.

By Liam Pleven, Carolyn Cui And Scott Kilman

Commodity prices largely continued a march toward new multi-year records. Copper climbed 2.2% Tuesday and is just pennies from an all-time high. Gold settled at $1,409.80, a new record, and cotton is at its highest in more than 140 years (though neither is near its infla-

Please turn to the next page

■ **Heard on the Street: Looking back to oil's future** C18

Raw Power | Commodities fueled by the Fed

Source: Thomson Reuters

Commodity Prices Reach New Highs

Continued from Page One

tion-adjusted peak). Corn has risen 22% in less than six weeks.

Some commodities eased back late Tuesday as investors locked in gains and exchanges indicated they may start making it costlier to trade raw materials. CME Group, an exchange operator, raised the minimum collateral investors need to post to trade silver futures: $6,500 per contract, up from $5,000. Silver is up 72% this year.

The reaction to the CME's move showed how skittish these markets can be. The most actively traded contract tumbled 7.3% in after-hours trading and sent ripples through other markets. Gold fell after hours, as did corn and crude oil, which remains near this year's high.

One trend driving the rally: robust demand from China and other emerging markets. Many of these countries are becoming wealthier, enabling them to buy more consumer goods and build infrastructure. At the same time, many analysts have questioned whether there is enough supply of key commodities on hand to satisfy growing demand.

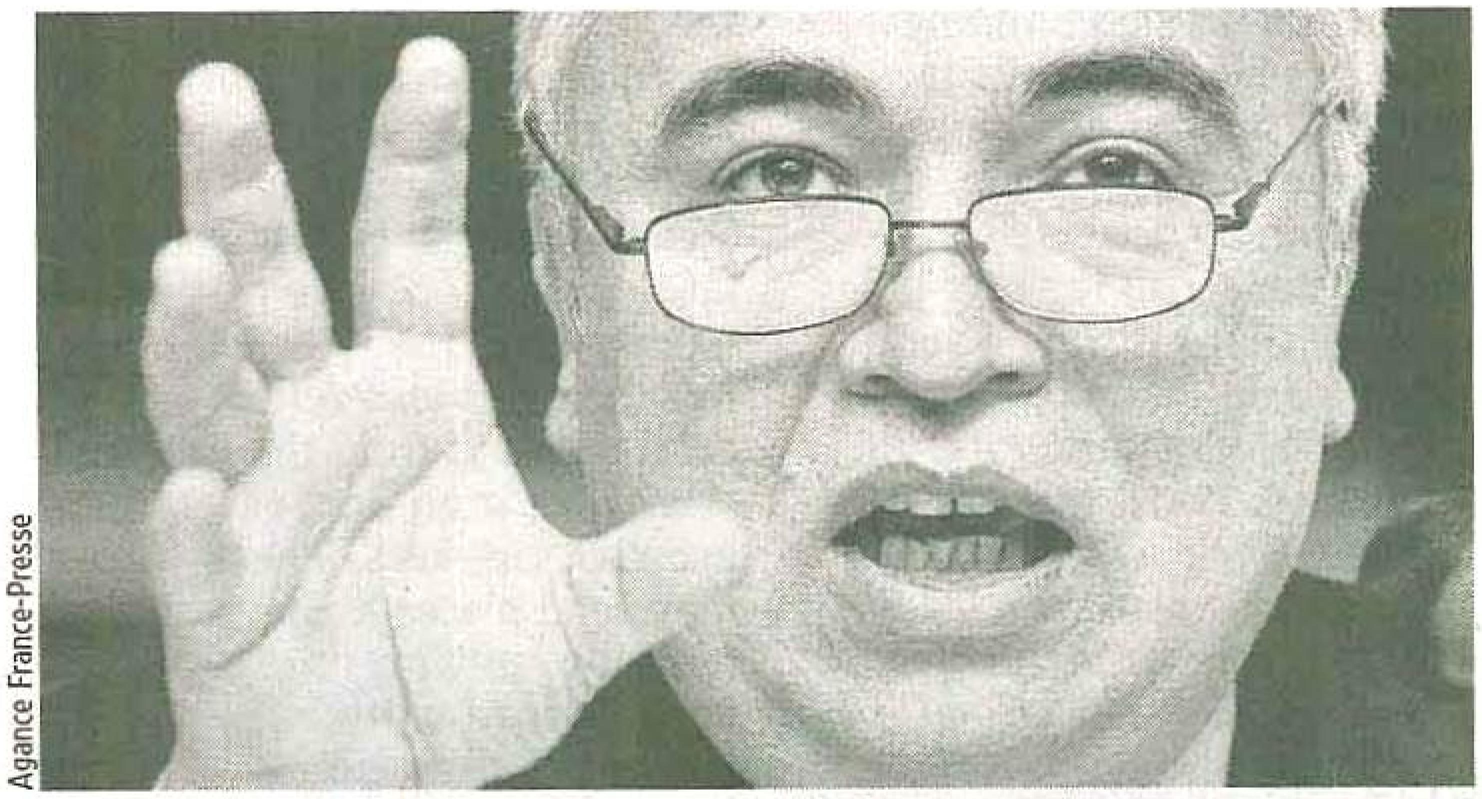
Suppliers of metals like copper cut back production during the financial crisis—a pipeline that can take years to fill again. And brutal droughts and floods in Russia and Pakistan have dramatically reduced harvests, raising concerns about potential shortages and the possible impact of price spikes on the world's poorest consumers.

So far, most economists don't think the world is headed for a repeat of the food crises of 2007 and 2008, when soaring costs sparked riots and street protests in some parts of the world.

The world's total grain reserves are still bigger now than then. Also helping to keep a lid on another food crisis so far is that the world is harvesting a record large amount of rice, a staple crop for the world's poor, so rice prices are lower now.

Layered onto those fundamental forces is a wave of fresh money being pumped into the markets by the Fed.

The Fed's latest $600 billion bond-buying plan is pushing yields on those bonds even lower, luring investors to assets



Agence France-Presse

The International Energy Agency said Chinese demand could drive up oil prices. Chief economist Fatih Birol described world demand Tuesday.

that may offer better returns. Many are buying commodities, through futures markets and exchange-traded funds.

Investors had a record $320 billion parked in commodities as of September, says Barclays Capital.

Treasury prices, in part, reflect the shift. The price of the 30-year Treasury bond tumbled almost 2% Tuesday, pushing its yield, which moves in the opposite direction of price, up to 4.25%, the highest since June 3.

The run-up is aided by the U.S. dollar's sustained fall, which further boosts commodities typically priced in the greenback.

"People are worried about the currency and don't know what to make of the environment, so they are heading for the hills, which involves investing in hard commodities which they can put away," said Wayne Atwell, managing director of Casimir Capital, an investment bank specializing in commodities.

Yet the impact of U.S. monetary policy overseas also points to a risk that raw-material prices could stall or reverse. A weaker dollar may boost U.S. exports, but it could also undercut exports from rival nations—and thus trim their demand for materials. Pricier commodities can also stoke fears of inflation in countries where concern is already high.

China is set to release its consumer price index for October on Thursday, and analysts expect it will top 4%, higher than September's 3.6%. China recently raised interest rates, and a top Chinese central banker, Ma Delun, said Tuesday China will not leave inflation unchecked.

If emerging-market interest rates rise broadly, some gains spurred by the Fed "will be erased," said Harry Tchilinguirian, head of commodity-markets strategy at BNP Paribas.

The steep price hikes harken back to the first half of 2008, when oil, copper and other commodities rocketed to what proved to be unsustainable highs. When the U.S. real estate bubble burst and economies reeled, commodities plummeted.

The current price spikes also serve as a warning: If the U.S. economy does recover, miners, drillers and farmers may struggle to keep up with demand.

The International Energy Agency expects Middle East demand for crude oil to rise 4.1% this year, and Latin American demand to climb 4.7%.

Oil prices remain well below all-time highs hit in July 2008, and supplies appear relatively strong for now.

Copper, on the other hand, is in a "secular bull market" due to strong demand growth from China and delays in bringing new mines to production, said Mr. Atwell of Casimir Capital.

Food markets also look tight. China will probably buy about one-third of the U.S. soybean crop, and the USDA said Tuesday inventories of corn and soybeans will fall sharply ahead of the 2011 harvest.

—Guy Chazan contributed to this article.

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CORRECTIONS & AMPLIFICATIONS

Todd Combs, an investment manager joining **Berkshire Hathaway** Inc., is a candidate to succeed Warren Buffett as the company's chief investment officer. Tuesday's Deal Journal column incorrectly implied that Mr. Combs is in line to succeed Mr. Buffett as Berkshire's chief executive officer. The company has identified three other candidates for the CEO job.

A graphic with a Tuesday front-page article about the backlash against the Federal Reserve's bond-buying program incorrectly highlighted a map of Poland instead of Germany to accompany a quote by Germany's finance minister. A correct version of the graphic can be found at WSJ.com/Corrections.

Neena Abraham is an associate professor at Baylor College of Medicine in Houston. A Tuesday Health & Wellness article about the use of stomach drugs with Plavix incorrectly gave Dr. Abraham's affiliation as Baylor University.

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