

# Commodity Market Update

Date Issued | 1st June, 2020

## COMMODITY MARKET OVERVIEW

- In the just ended week, prices of Gold and Cocoa depreciated whilst WTI and Brent Crude appreciated in price.
- Gold dipped by 0.10% to \$1,751.70 compared to the previous week's price of \$1,753.50.
- WTI and Brent Crude inched up in price by 6.74% and 7.71% to \$35.49 and \$37.84 respectively to close the trading week.
- Cocoa price also fell by 2.16% at \$2,342.35 to close the week compared to its price of \$2,394.00 in the previous week.
- On a year-to-date basis, gold increased in price by 15.01% while cocoa declined by 4.68%. WTI and Brent crude oil also weakened by 41.88% and 42.67% respectively.
- Year-on year, gold improved by 36.18% while cocoa fell in price by 0.78%. WTI and Brent crude oil dropped by 39.65% and 45.51%.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL OIL SURGES 5% ON U.S.-CHINA TRADE OPTIMISM, FALLING CRUDE OUTPUT

- Oil prices soared on Friday, with U.S. futures closing out May with record monthly gains, on hopes that the U.S.-China trade deal would remain intact and falling crude production.

- Both benchmarks saw steep rises due to falling global production and expectations for demand growth as parts of the United States, including New York City, and other countries move to reopen after coronavirus-related lockdowns.

- Oil was also supported by a record-low number of U.S. and Canadian oil and gas rigs, which indicates a further drop in supply out of the world's biggest crude producer.

- U.S. President Donald Trump said his administration will begin to eliminate special treatment for Hong Kong in response to China plans to impose new security legislation in the territory, but he did not say the first phase of the Washington-Beijing trade deal was in jeopardy.

- We therefore expect oil prices to remain stable as oil investors are worried that a breakdown in trade relations would further hurt oil consumption.

### GOLD GOLD FLAT AS SINO-U.S. TENSION OFFSETS ECONOMIC RECOVERY HOPES

- Gold traded flat on Friday as investors stayed away from taking big positions while awaiting U.S. response to China's passage of a national security law for Hong Kong.

- Gold remains wedged between potentially positive economic developments that have been dragging prices lower, and a rise in geopolitical tensions with China over Hong Kong.

- Gold was also down for the week as more countries around the world eased lockdown measures and fuelled hopes for an economic recovery.

- Thus, the Central banks increasing liquidity in financial markets, low interest rates and rising money supply are bullish for gold in the longer term.

- We therefore expect the price of gold to rebound in the coming week as reports of riots in the United States are causing already troubled investors gambling concerns that a fresh economic setback could drive them towards the safe-haven metal.

### COCOA COCOA PRICES SETTLE LOWER ON AMPLE RAIN IN WEST AFRICA

- Cocoa prices on Friday retreated with London cocoa at a 2-week low. Cocoa prices were under pressure since recent rainfall in West Africa has been adequate and should boost cocoa yields. Satellite imagery from the U.S. Climate Prediction Center on Monday (25/05/2020) showed normal to above-average rainfall across most of the Ivory Coast and Ghana during May 17-23.

- Cocoa supplies from West Africa have fallen, but not by enough to sustain a rally in cocoa prices. The Ghana Cocoa Board on Tuesday (26/05/2020) reported that Ghana cocoa purchases during Oct 1- May 7 fell -1.6% y/y to 714,523 MT.

- The Ghana Cocoa Board on May 4, 2020 also cut its Ghana 2019/20 cocoa crop estimate to a 4-year low of 780,000 MT, down slightly from an October estimate of 800,000 MT.

- We therefore expect the price of cocoa to remain stable due to slowing cocoa output growth in Ivory Coast and falling output in Indonesia and Ghana.

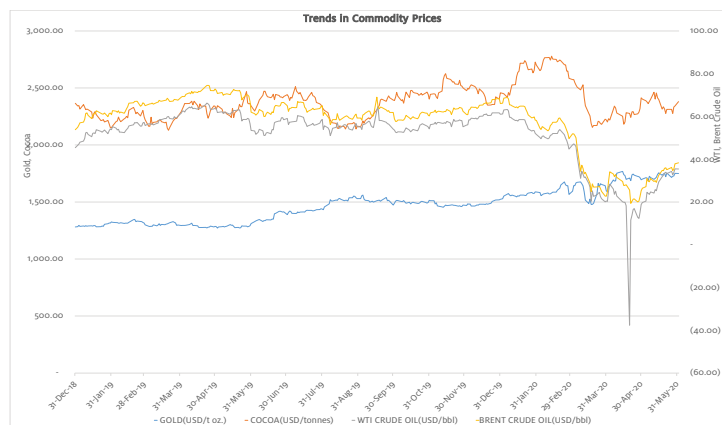
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,734.90	1,751.70	1,753.50	(0.10)
Cocoa ICCO	USD/ton	2,394.00	2,342.35	2,394.00	(2.16)
WTI Crude	USD/bbl	33.25	35.49	33.25	6.74
Brent Crude	USD/bbl	35.53	37.84	35.13	7.71

Source: Bloomberg; International Cocoa Organization

COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,751.70	1,726.80	15.01	36.18
Cocoa ICCO	2,394.00	2,276.48	(4.68)	(0.78)
WTI Crude Oil	35.49	32.81	(41.88)	(39.65)
Brent Crude	37.84	34.74	(42.67)	(45.51)

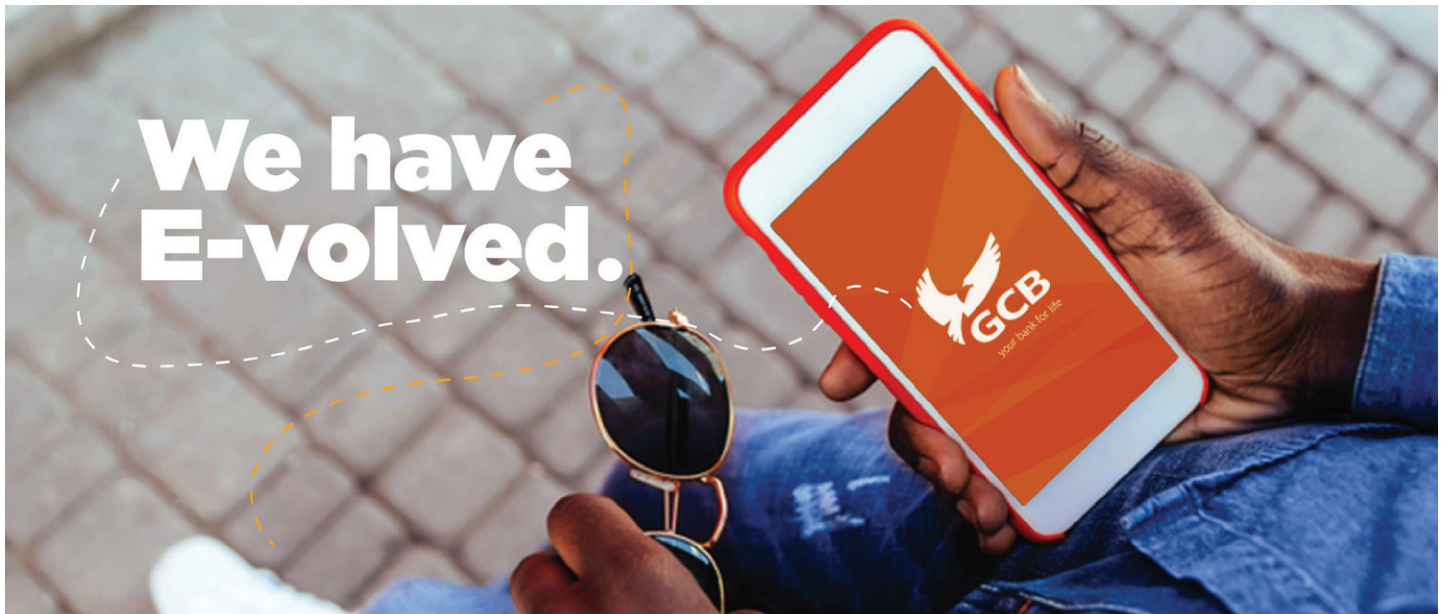
Source: Bloomberg; International Cocoa Organization

## Commodity Price, 01 Jan to date



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