

# Commodity Market Update

Date Issued | 8th June, 2020

## COMMODITY MARKET OVERVIEW

- In the just ended week, prices of Gold and Cocoa dipped whilst WTI and Brent Crude inched up in price.

- Gold dropped by 3.92% to \$1,683.00 compared to the preceding week's price of \$1,751.70.

- WTI and Brent Crude increased in price by 11.44% and 11.79% to \$39.55 and \$42.30 respectively to end the trading week.

- Cocoa price declined by 0.91% at \$2,320.98 to close the week compared to its price of \$2,342.35 in the previous week.

- On a year-to-date basis, gold improved in price by 10.50% while cocoa fell by 5.55%. WTI and Brent crude oil also declined by 35.23% and 35.91% respectively.

- Year-on year, gold advanced by 26.20% while cocoa weakened in price by 0.07%. WTI and Brent crude oil also depreciated by 23.47% and 30.23%.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL CLIMBS 5% ON U.S. JOBLESS DROP, OPEC+ MEETING HOPES

- Oil prices rose on Friday after an unexpected fall in the May U.S. jobless rate and OPEC's decision to bring forward to Saturday discussions on whether to extend record production cuts.

- Brent has risen 11% since May 29 to reach a three-month high, in a range more comfortable for producers like Russia. The contract has more than doubled since crashing as low as \$15.98 a barrel on April 22. WTI is up 11%.

- Both benchmarks were headed for a sixth week of gains, lifted by the output cuts and signs of improving fuel demand as countries ease lockdowns imposed to fight the new coronavirus outbreak.

- OPEC+ had said it would bring forward the meeting, which had been scheduled for next week, should Iraq and others agree to boost adherence to supply cuts.

- The market is still hopeful that some laggard countries may agree to align with the production cut deal. We therefore expect oil prices to continue soaring in the week ahead.

### GOLD

#### GOLD FALLS AS RISK APPETITE GROWS; FOCUS ON U.S. JOBS DATA

- Gold fell and was on track for a third straight weekly decline on Friday, weighed down by gains in riskier assets as investors grew more hopeful of a rebound in the coronavirus-hit global economy.

- Gold prices dipped more than 2% as hopes for a global economic rebound got a boost from stronger-than-expected U.S. non-farm payrolls data, reducing demand for safe havens.

- The data comes ahead of a two-day policy meeting of the U.S. Federal Reserve next week. The central bank has injected massive stimulus and cut interest rates to near zero to cushion the blow from the coronavirus pandemic.

- However, economic uncertainty, trade tensions, and crisis in the U.S are definitely more positive for gold than negative.

- We therefore expect the price of gold to bounce back in the coming week on the back of already injected massive stimulus packages and possible interest rates cut by the U.S Federal Reserve.

### COCOA

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

- Cocoa prices on Friday settled mixed with London cocoa at a 5-week low. NY cocoa on Friday was little changed, but London cocoa tumbled after GBP/USD rallied to a 2 month high. Strength in the pound undercuts the price of London cocoa that is priced in terms of sterling.

- The overall cocoa market is under pressure from ample supplies. The Ivory Coast government on Tuesday (02/06/2020) reported that Ivory Coast farmers sent 29,918 MT of cocoa to ports during May 25-31, unchanged from a year earlier, shaking off the potential for pandemic-related disruptions. Longer-term deliveries are bearish with Ivory Coast cocoa farmers delivering 2.01 MMT of cocoa during Oct 1-May 31, up +0.5% y/y.

- Another bearish factor for cocoa is adequate rainfall in West Africa that should boost cocoa yields. Satellite imagery from the U.S. Climate Prediction Center on Tuesday showed normal to above-average rainfall across most of the Ivory Coast and Ghana during May 24-30.

- We therefore expect the price of cocoa to remain steady due to high expected cocoa output growth.

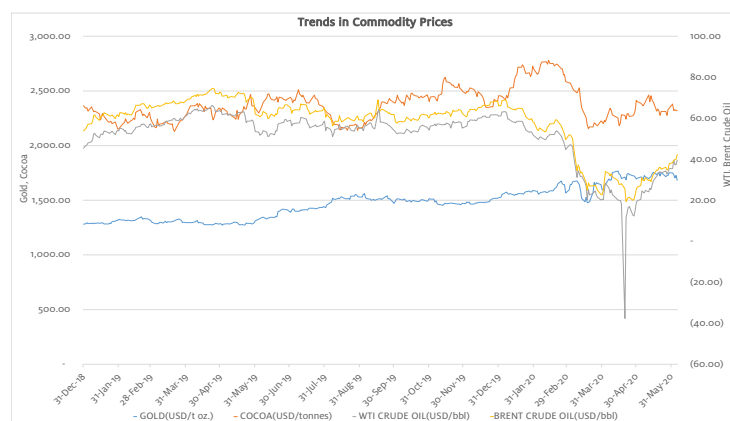
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,750.30	1,683.00	1,751.70	(3.92)
Cocoa ICCO	USD/ton	2,380.39	2,320.98	2,342.35	(0.91)
WTI Crude	USD/bbl	35.44	39.55	35.49	11.44
Brent Crude	USD/bbl	38.32	42.30	37.84	11.79

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,750.30	1,683.00	10.50	26.20
Cocoa ICCO	2,380.39	2,319.97	(5.55)	0.07
WTI Crude Oil	39.55	35.44	(35.23)	(23.47)
Brent Crude	42.30	38.32	(35.91)	(30.23)

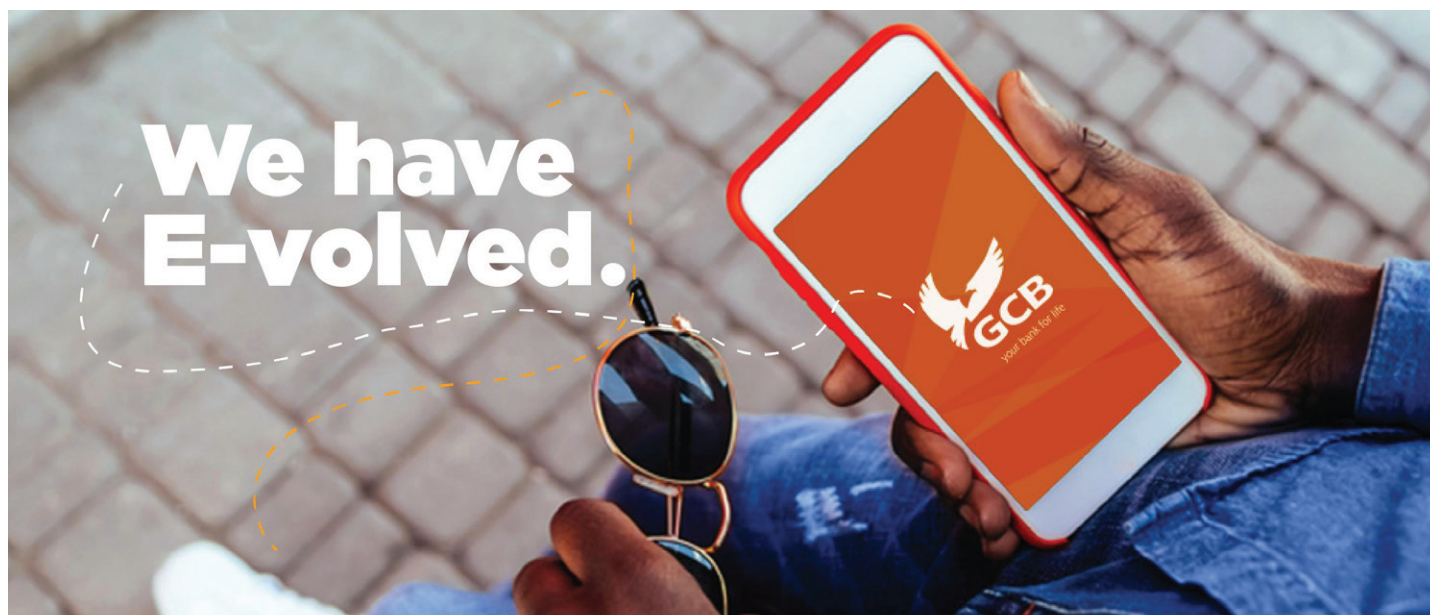
Source: Bloomberg; International Cocoa Organization

### Commodity Price, 01 Jan to date



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