

Commodity Market Update

Date Issued | 15th June, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, prices of Gold appreciated whereas Cocoa, WTI and Brent Crude depreciated in price.
- Gold improved by 3.23% to \$1,737.30 compared to the preceding week's price of \$1,683.00.
- WTI and Brent Crude weakened in price by 8.32% and 8.44% to \$36.26 and \$38.73 respectively to close the trading week.
- Cocoa price also dipped by 2.03% at \$2,273.80 to close the week compared to its price of \$2,320.98 in the previous week.
- On a year-to-date basis, gold advanced in price by 14.06% while cocoa dropped by 7.47%. WTI and Brent crude oil also reduced by 40.62% and 41.32% respectively.
- Year-on year, gold went up by 29.96% while cocoa went down in price by 7.99%. WTI and Brent crude oil also dropped by 29.10% and 35.42%.

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL PRICES SEE WEEKLY LOSS ON VIRUS RESURGENCE FEARS

- Oil prices tumbled about 8% a barrel on Friday, fueled by renewed concerns about demand destruction as new cases of coronavirus tick up globally, while crude inventories hit a record in the United States.
- U.S. coronavirus cases surpassed 2 million on Wednesday and new infections are rising slightly after five weeks of declines. While most states have loosened restrictions on movement that shackled demand, fuel consumption remains 20% below typical levels, as consumers remain cautious.
- Both benchmarks logged weekly declines of about 8%, their first after six weeks of gains that have lifted prices off April lows.
- At the same time, U.S. crude oil inventories have risen to a record 538.1 million barrels, as cheap imports from Saudi Arabia flowed into the country.
- OPEC+ slashed supplies by 9.7 million barrels per day (bpd), about 10% of pre-pandemic demand, and agreed last weekend to extend the reduction. We therefore expect oil prices to rebound in the week ahead.

GOLD GOLD GAINS AS GLOOMY UK ECONOMIC DATA SPURS SAFE-HAVEN DEMAND

- Gold prices held steady on Friday as downward pressure from a stronger dollar countered rising safe-haven demand supported by gloomy economic projections and renewed fears over a second wave in COVID-19 infections.
- Gold reversed course to rise on Friday which was as a result of dismal economic data from Britain and concerns of a second wave of virus infections, boosting safe-haven demand and setting gold on track for its first weekly rise in four weeks.
- Risk appetites have also been dented by a recent spike in coronavirus infections in some U.S. states. This partially reflects increased testing, but some states are also seeing rising hospitalizations.
- Earlier this week, Fed policymakers projected the U.S. economy to shrink 6.5% in 2020, while data showed that Britain's economy shrank by 20.4% in April. There is still significant uncertainty about how the economic recovery will play out and any disappointments could support the gold price.
- We therefore expect the price of gold to remain stable in this week.

COCOA COCOA DROPS TO A 1-1/2 MONTH LOW ON DEMAND CONCERNS AND ADEQUATE SUPPLY

- Cocoa prices sold off to 11/2-month low on concern that a resurgence of the pandemic might prompt more lockdowns which curtails demand for chocolate. Demand concerns were already heightened by reports last Thursday (04/06/2020) that some cocoa processors are asking for delays in cocoa bean shipments.
- In addition, abundant cocoa supply from the Ivory Coast, the world's biggest cocoa producer, is weighing on cocoa prices. Data from the Ivory Coast government shows Ivory Coast farmers sent 2.071 MMT of cocoa to ports during Oct 1-Jun 14, up +0.3% y/y.
- A bearish factor for cocoa is adequate rainfall in West Africa that should boost cocoa yields. Satellite imagery from the U.S. Climate Prediction Center released on Monday (15/06/2020) showed above-average rainfall across most of the Ivory Coast and Ghana during Jun 8-14.
- We therefore expect the price of cocoa to remain under minimal pressure due to high output growth.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,705.10	1,737.30	1,683.00	3.23
Cocoa ICCO	USD/ton	2,313.44	2,273.80	2,320.98	(2.03)
WTI Crude	USD/bbl	38.19	36.26	39.55	(8.32)
Brent Crude	USD/bbl	40.80	38.73	42.30	(8.44)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,739.80	1,705.10	14.06	29.96
Cocoa ICCO	2,353.60	2,260.91	(7.47)	(7.99)
WTI Crude Oil	39.60	36.26	(40.62)	(29.10)
Brent Crude	41.73	38.55	(41.32)	(35.42)

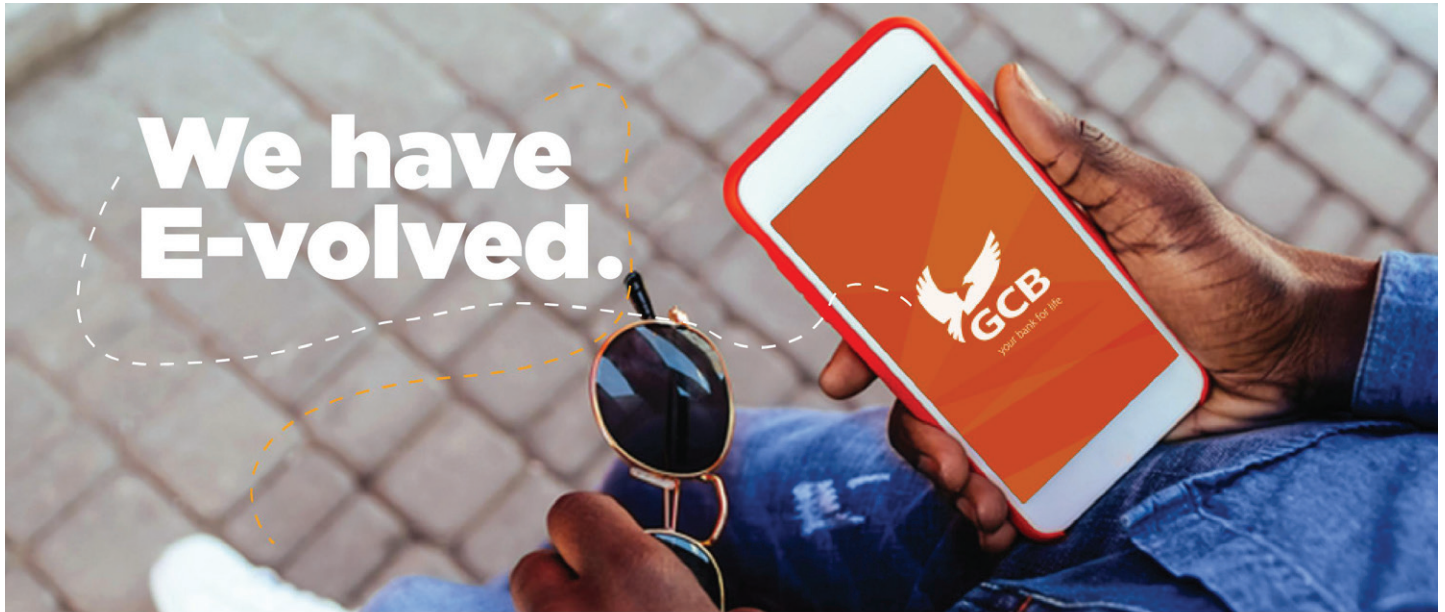
Source: Bloomberg; International Cocoa Organization

Commodity Price, 01 Jan to date



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Customer Service: 0202 111 177 0264 270 236

WhatsApp: 0202 422 422 **Web:** www.gcbbank.com.gh

Toll Free: 0800 422 422

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Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

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