

Commodity Market Update

Date Issued | 22nd June, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, prices of Gold, WTI and Brent Crude increased whereas Cocoa decreased in price.
- Gold advanced by 0.90% to \$1,753.00 compared to the previous week's price of \$1,737.30.
- WTI and Brent Crude also improved in price by 9.62% and 8.93% to \$39.75 and \$42.19 respectively to end the trading week.
- Cocoa price weakened by 6.26% at \$2,131.38 to close the week compared to its price of \$2,273.80 in the previous week.
- On a year-to-date basis, gold went up in price by 15.09% while cocoa was down by 13.27%. WTI and Brent crude oil also dropped by 34.90% and 36.08% respectively.
- Year-on year, gold edged up by 29.97% while cocoa declined in price by 12.86%. WTI and Brent crude oil also fell by 26.06% and 31.75%.

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL EDGES UP ON OPEC OUTPUT CUT COMPLIANCE; PANDEMIC STILL WEIGHS

- Oil prices rose on Friday as a panel of OPEC and its allies met to review record oil supply cuts, even as the market remained concerned about additional coronavirus cases reported in parts of the United States and China.

-The Organization of the Petroleum Exporting Countries and its allies on Thursday made moves to ensure that certain countries make up for failing to fully meet their output-cut targets last month.

- OPEC+ have been cutting output since May by a record 9.7 million barrels per day (bpd) - or 10% of global supply - after oil demand plunged by up to a third.

- The panel, known as the Joint Ministerial Monitoring Committee (JMMC), advises OPEC+ will meet again on July 15, where it will recommend the next level of cuts designed to support oil prices battered by the coronavirus pandemic.

- We therefore expect oil prices to remain stable in the week ahead.

GOLD GOLD RISES AS FEARS OVER NEW CORONAVIRUS CASES LEND SUPPORT

- Gold prices hit their highest level in more than a month as a resurgence of coronavirus infections in some countries raised doubts about a swift global economic recovery.

- Gold is seen as a safe haven during times of economic turmoil and benefited as global investors were unnerved after the World Health Organization reported a record jump in global infections of the coronavirus, with the biggest increases seen in North and South America.

- As well as concerns about the health of the global economy, there were also worries about rising inflation which is pushing real rates lower and giving some support to the price of gold.

- Gold prices have risen 15% this year amid fears of a coronavirus-induced economic slowdown and unprecedented stimulus measures from governments and central banks globally.

- We therefore expect the price of gold to be supported this week on the back of concerns about the outlook for global growth.

COCOA COCOA PRICES CLOSE LOWER ON GLOBAL CHOCOLATE DEMAND CONCERNS

- Cocoa prices on Friday closed lower as they consolidated just above Thursday's (18/06/2020) 2-month low. Cocoa prices came under pressure on Friday after JSG (Jenkins Sugar Group) Commodities forecasted a global 2020/21 cocoa surplus of +300,500 MT versus a -44,000 MT deficit in 2019/20. JSG Inc. said chocolate demand is falling globally as airports and gas stations are seeing a substantial drop in chocolate sales due to coronavirus lockdowns.

- In addition, abundant cocoa supply from the Ivory Coast, the world's biggest cocoa producer, also weighed on cocoa prices. Monday's (15/06/2020) data from the Ivory Coast government shows Ivory Coast farmers sent 2.071 MMT of cocoa to ports from Oct 1-Jun 14, up +0.3% y/y.

- ICCO, on May 29, 2020 trimmed its 2019/20 global cocoa deficit estimate to -80,000 MT from -85,000 MT and cut its global 2019/20 cocoa grindings estimate to 4.783 MMT from 4.784 MMT in 2018/19, the first annual drop since 2016.

- We therefore expect the price of cocoa to remain under pressure due to excess supply.

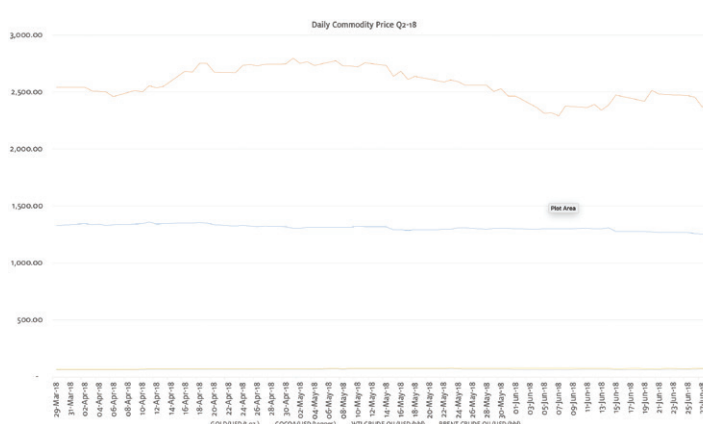
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,727.20	1,753.00	1,737.30	0.90
Cocoa ICCO	USD/ton	2,165.55	2,131.38	2,273.80	(6.26)
WTI Crude	USD/bbl	37.12	39.75	36.26	9.62
Brent Crude	USD/bbl	39.72	42.19	38.73	8.93

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,753.00	1,727.20	15.09	29.97
Cocoa ICCO	2,170.82	2,131.38	(13.27)	(12.86)
WTI Crude Oil	39.75	37.12	(34.90)	(26.06)
Brent Crude	42.19	39.72	(36.08)	(31.75)

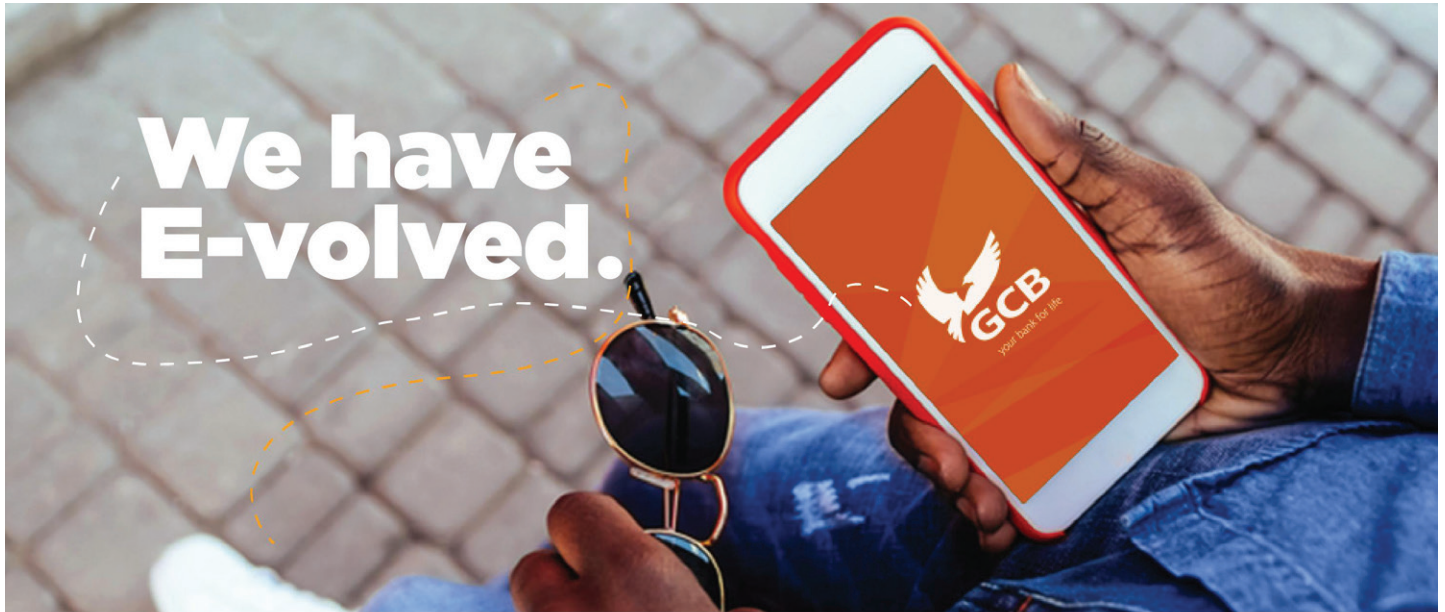
Source: Bloomberg; International Cocoa Organization

Commodity Price, 01 Jan to date



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