

Commodity Market Update

Date Issued | 26th May, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, prices of Gold and Cocoa dropped whereas WTI and Brent Crude inched up in price.
- Gold declined by 0.16% to \$1,753.50 compared to the preceding week's price of \$1,756.30.
- WTI and Brent Crude increased in price by 12.98% and 8.09% to \$33.25 and \$35.13 respectively to end the trading week.
- Cocoa price also dropped by 3.63% at \$2,311.93 to close the week compared to its price of \$2,399.00 in the previous week.
- On a year-to-date basis, gold edged up in price by 15.13% while cocoa dipped by 5.92%. WTI and Brent crude oil also decreased by 45.55% and 46.77% respectively.
- Year-on year, gold advanced by 37.62% while cocoa fell in price by 1.00%. WTI and Brent crude oil depreciated by 45.86% and 50.51%.

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL ENDS AT SIX-WEEK HIGH ON TIGHTER SUPPLIES, DEMAND PROSPECTS

- Oil prices rose on Friday, supported by growing confidence that producers are following through on commitments to cut supplies and as fuel demand picks up with coronavirus restrictions easing.

- The Organization of the Petroleum Exporting Countries and other leading oil producers including Russia, a group known as OPEC+, agreed last month to cut their combined output by almost 10 million barrels per day in May-June to shore up prices and demand, which has been hit by the coronavirus pandemic.

- Demand is coming back slowly as businesses are gradually opening with the coronavirus pandemic receding, while OPEC+ production cut and lower shale output has reduced the excess in supply.

- OPEC+ countries are due to meet again in early June to discuss maintaining their supply cuts to shore up prices, which are still down about 45% since the start of the year.

- We therefore expect oil prices to continue to surge as a slowdown in supplies and hope for higher demand help prices recover some of their recent losses.

GOLD GOLD FALLS AS RECOVERY OPTIMISM BOLSTERS RISK APPETITE

- Gold fell on Friday as investors booked profits from recent rallies and some switched to the safety of cash driven by growing U.S-China trade tensions and doubts about an economic recovery.

- Major economies further eased coronavirus-led restrictions, fueling hopes of economic recovery and bolstering risk appetite which led to the fall of gold price.

- Spain urged foreign tourists to return from July as it eases one of Europe's strictest lockdowns, while Britain plans to reopen thousands of shopping centres next month. U.S. states were also gradually easing restrictions.

- Gold, considered a safe store of value during political and financial uncertainty, climbed to its highest since October 2012 last week, driven by monetary and fiscal stimulus, recession fears and U.S.-China tensions.

- Deepening the rift between the world's two largest economies, White House National Security Adviser, Robert O'Brien warned that China's proposed national security legislation for Hong Kong could lead to U.S. sanctions.

- We therefore expect the price of gold to rebound in the coming week due to trade woes, disappointing economic data and growth fears.

COCOA NY COCOA CLOSSES AT A 3-WEEK LOW ON DEMAND CONCERNS

- Cocoa prices on Friday closed lower with NY cocoa at a 3-week low and London cocoa at a 1-week low. Cocoa tumbled on continued concerns about weak cocoa and chocolate demand due to the global lockdowns. The Gepex cocoa exporters group, a group of the six biggest cocoa grinders, reported on Monday that it processed 45,574 MT of cocoa in April, down -3.2% y/y.

- The Ghana Cocoa Board on Monday (18/05/2020) reported that Ghana cocoa purchases during Oct 1- Apr 30 fell -2.2% y/y to 710,276 MT.

- We expect the price of cocoa to remain under pressure as ICE-monitored cocoa inventories rebounded to a 10-month high of 4.347 mln bags early this week from last December's 3-1/4-year low of 2.688 million bags.

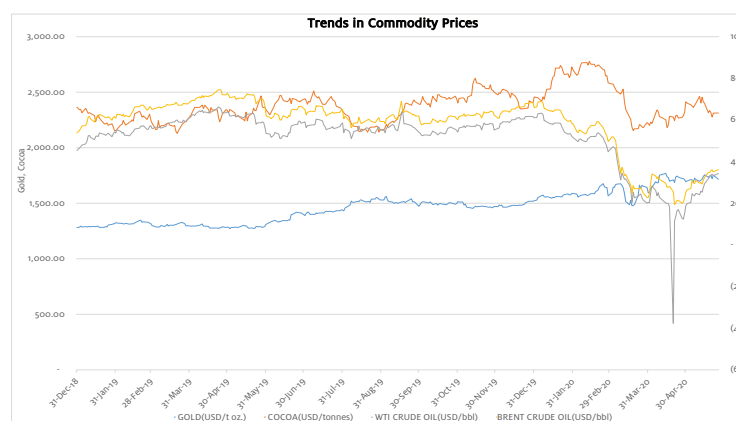
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,734.40	1,753.50	1,756.30	(0.16)
Cocoa ICCO	USD/ton	2,314.82	2,311.93	2,399.00	(3.63)
WTI Crude	USD/bbl	31.82	33.25	29.43	12.98
Brent Crude	USD/bbl	34.81	35.13	32.50	8.09

Source: Bloomberg; International Cocoa Organization

COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,753.50	1,721.90	15.13	37.62
Cocoa ICCO	2,334.43	2,276.54	(5.92)	(1.00)
WTI Crude Oil	33.92	31.82	(45.55)	(45.86)
Brent Crude	36.06	34.44	(46.77)	(50.51)

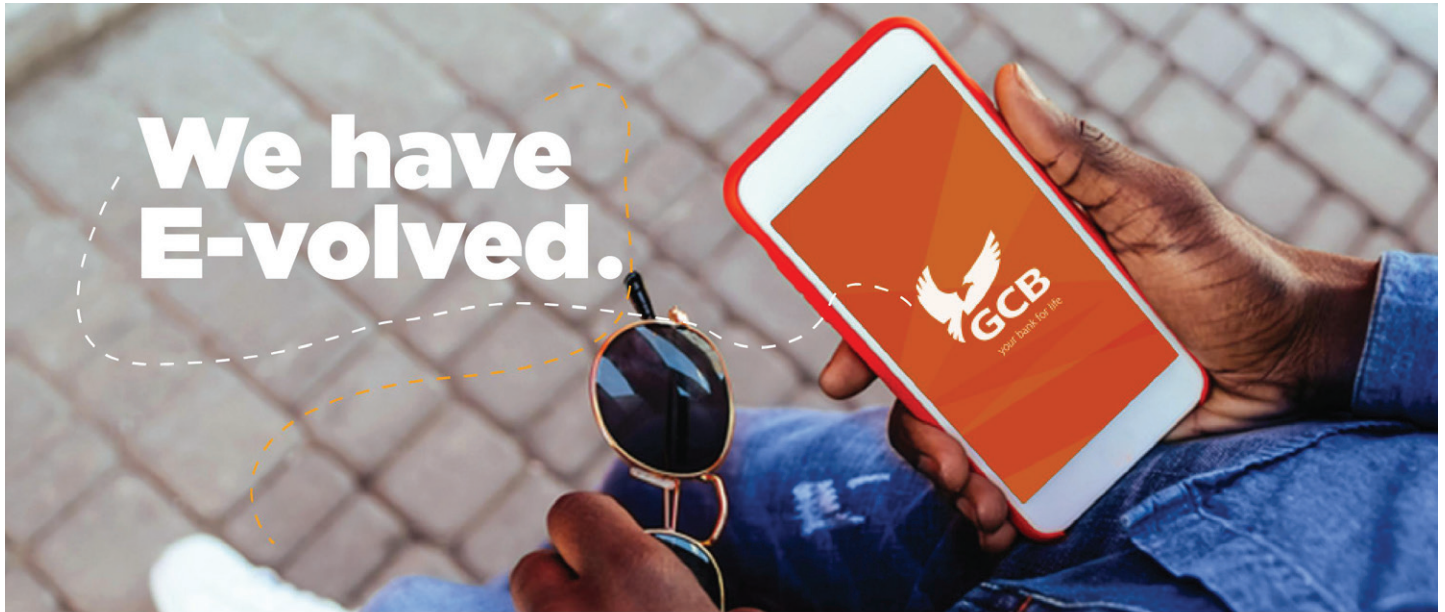
Source: Bloomberg; International Cocoa Organization

Commodity Price, 01 Jan to date



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