

# Commodity Market Update

Date Issued | 1st February, 2021

## COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities depreciated in price.
- Gold price reduced by 0.52% to \$1,850.30 compared to the previous week's price of \$1,859.90.
- WTI and Brent Crude dropped by 0.13% and 0.67% at \$52.20 and \$55.04 respectively to close the trading week.
- Cocoa price also declined by 0.46% at \$2,401.55 to close the week compared to its price of \$2,412.65 in the previous week.
- On a year-to-date basis, gold and cocoa edged lower by 2.36% and 0.94% respectively whereas WTI and Brent crude oil improved by 7.58% and 6.25% respectively.
- Year-on year, gold gained 17.40% and cocoa lost 9.53%. While WTI and Brent crude oil went down by 2.12% and 7.98% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL EASES AS DEMAND WORRIES OFFSET WEAKER DOLLAR, BIG STORAGE DRAW

- Oil prices dipped on Friday (29/01/2021) on demand worries due to coronavirus variants and slow vaccine rollouts, which counterbalance a bullish sentiment due to a cut in Saudi Arabian oil supply and falling U.S. oil inventories.
- The market focused more on concerns that delays to vaccine rollouts and fresh travel curbs could depress demand than the impact of a weaker dollar and a big U.S. crude inventory drawdown.
- The U.S. economy contracted at its deepest pace since World War Two in 2020 as the COVID-19 pandemic depressed consumer spending and business investment, pushing millions of Americans out of work and into poverty.
- In China, the world's second-largest oil consumer, a surge in coronavirus cases has led to travel restrictions ahead of the Lunar New Year, normally the busiest travel season of the year.

- The rising number of global coronavirus cases, which has surpassed 100 million as infections surge in Europe and the Americas, while Asia scrambles to contain fresh outbreaks, weighed on prices.

- We therefore expect oil prices to remain weighed with restrictions on the demand side because of lockdowns. This is projected to be countered by a sufficient reduction in supply preventing prices from falling or rising to any significant extent.

GOLD

### GOLD

#### GOLD DIPS AS DOLLAR BECOMES PREFERRED SAFE-HAVEN

- Gold prices traded in a tight range on Friday (29/01/2021), but prices were on track to post a weekly and monthly decline as a stronger dollar took some shine off the precious metal.
- Gold prices dropped as investors flocked to the safety of the dollar after global equity markets slipped and the Federal Reserve raised concerns about the pace of economic recovery in the United States.
- Weighing further on gold was the delay in a \$1.9 trillion U.S. coronavirus stimulus deal, which has not received a green signal from Republicans over concerns about the price tag.
- The Fed left its key overnight interest rate near zero and made no change to its monthly bond purchases, pledging again to keep those economic pillars in place until there is a full rebound from the pandemic-triggered recession
- We therefore expect gold price to bounce back due to its safe haven appeal after the U.S. Federal Reserve flagged concerns about the pace of recovery in the world's largest economy.

### COCOA

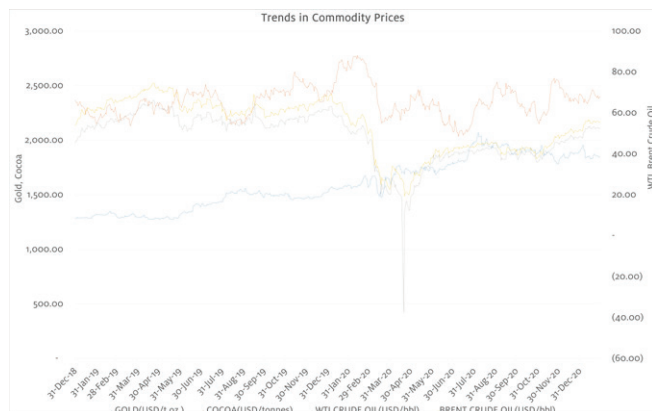
#### COCOA PRICES CLOSE MODERATELY LOWER ON WEAK GLOBAL CHOCOLATE DEMAND

- Cocoa prices on Friday (29/01/2021) gave up advance and posted moderate losses. On the negative side, Barry Callebaut, the world's top cocoa processor, reported that global chocolate confectionery sales fell -1.2% y/y from September through November, citing Nielsen data. Barry Callebaut also reported that its Q1 sales rose 1.78 billion Swiss Francs, weaker than the consensus of 1.93 billion Swiss Francs.
- Cocoa prices remain under pressure on concern that chocolate demand may suffer as the global pandemic surge forces countries to prolong lockdowns in an attempt to slow the spread of COVID.
- Also, UK Prime Minister Johnson said the UK would not loosen its COVID restrictions before March. The stricter lockdowns may keep restaurants and shops closed or at reduced hours and hurt chocolate demand.

- We therefore expect the price of Cocoa to trade sideways on concerns of demand on the back of prolong lockdowns and restrictions globally.

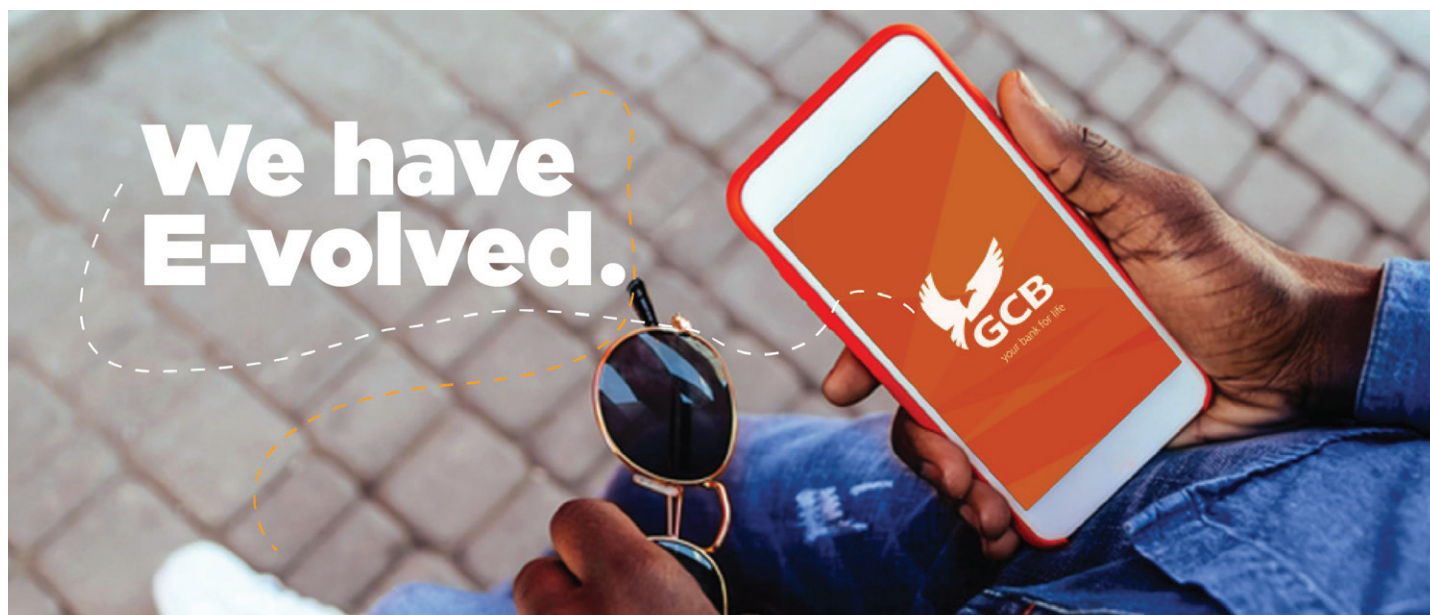
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,859.00	1,850.30	1,859.90	(0.52)
Cocoa ICCO	USD/ton	2,389.59	2,401.55	2,412.65	(0.46)
WTI Crude	USD/bbl	52.77	52.20	52.27	(0.13)
Brent Crude	USD/bbl	55.88	55.04	55.41	(0.67)
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,859.00	1,841.20	(2.36)	17.40
Cocoa ICCO	2,408.26	2,380.30	(0.94)	(9.53)
WTI Crude Oil	52.77	52.20	7.58	(2.12)
Brent Crude	55.91	55.04	6.25	(7.98)
Source: Bloomberg; International Cocoa Organization				



# Commodity Market Update

Date Issued | 1st February, 2021



**Customer Service:** 0202 111 177 0264 270 236

**WhatsApp:** 0202 422 422 **Web:** [www.gccb.com.gh](http://www.gccb.com.gh)

**Toll Free:** 0800 422 422

**Follow GCB Bank Limited**



## Research Contacts

Lawson Oppong-Asante

Email: [loppong-asante@gcb.com.gh](mailto:loppong-asante@gcb.com.gh)

Tel: 0302 66 4910 -18

Adomako Osei-Frimpong

Email: [aofrimpong@gcb.com.gh](mailto:aofrimpong@gcb.com.gh)

Tel: 0302 66 4910 -18

Michael Bedjah

Email: [mbedjah@gcb.com.gh](mailto:mbedjah@gcb.com.gh)

Tel: 0302 66 4910 -18

## Treasury & Sales Contacts

Anthony Asare

Email: [akasare@gcb.com.gh](mailto:akasare@gcb.com.gh)

Tel: 0302 611 762

Daniel Boateng

Email: [daboateng@gcb.com.gh](mailto:daboateng@gcb.com.gh)

## Head Office:

No 2 Thorpe Link

P. O. Box 134, Accra

Tel: +233 (0)302 664910

## Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.