

# Commodity Market Update

Date Issued | 4th January, 2021

## COMMODITY MARKET OVERVIEW

- In the just ended week, all commodities in our basket of tracked commodities appreciated in price.
- Gold price increased by 0.63% to \$1,895.10 compared to the previous week's price of \$1,883.20
- WTI and Brent Crude advanced by 0.60% and 0.99% to \$48.52 and \$51.80 respectively to end the trading week.
- Cocoa price also improved by 1.61% at \$2,424.35 to close the week compared to its price of \$2,385.85 in the previous week.
- On a year-to-date basis, gold was up by 24.42% whereas cocoa went down by 1.35%. WTI and Brent crude oil also declined by 20.54% and 21.52% respectively.
- Year-on year, gold edged up by 24.42% whereas cocoa dipped by 1.35%. WTI and Brent crude oil also fell by 20.54% and 21.52% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL OIL EDGES HIGHER, BUT POSTS 20% ANNUAL DROP IN TUMULTUOUS 2020

- Oil prices edged higher on Thursday (31/12/2020) but lost more than a fifth of their value in 2020, as lockdowns to combat the novel coronavirus depressed economic activity and sent oil markets reeling.
- Still, Brent and U.S. crude benchmarks have more than doubled from April's nadir as producers cut output to match weaker demand. News of coronavirus vaccine distributions also bolstered prices in the fourth quarter, helping futures recover to the highest in about 10 months.
- On the last trading day of 2020, Brent rose 17 cents to settle at \$51.80 a barrel. U.S. West Texas Intermediate rose 12 cents to settle at \$48.52 a barrel. Brent fell 21.5% for the year, with WTI falling 20.5%.
- Though prices have climbed the last two months, additional lockdowns have weighed again on fuel demand and a new, highly infectious variant of the virus has raised alarms.
- Also the Organization of the Petroleum Exporting Countries and allies including Russia, a group known as OPEC+, plan to debate boosting crude output from February.
- We therefore expect demand outlook for oil to still remain murky in the coming weeks.

### GOLD GOLD SET TO END VOLATILE 2020 WITH STRONG GAINS

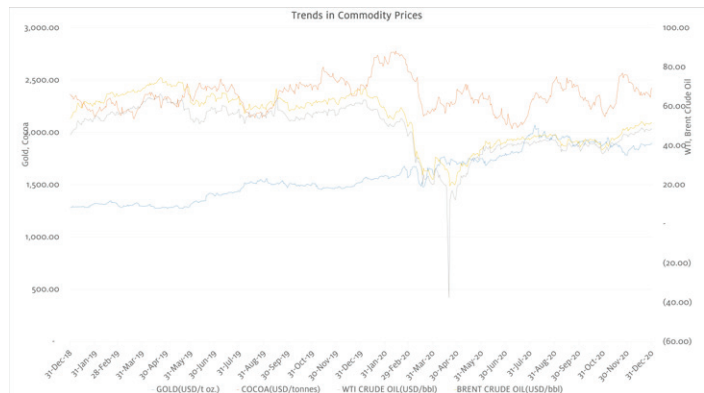
- Gold steadied as the dollar extended losses on Thursday (31/12/2020), with the metal on track for its best year in a decade on economic uncertainty and as governments worldwide doled out massive stimulus to lessen the impact of the COVID-19 pandemic.
- Gold has gained 25% so far in 2020 as global central banks and governments have delivered economic stimulus, laying the ground for higher inflation and currency debase-ment.
- Unprecedented stimulus measures and low interest rates to cushion economies from the impact of the pandemic this year have benefited gold, as it is seen as a hedge against inflation.
- Gold could move higher with risk assets next year as long as monetary and fiscal conditions remain accommodative, while lower yields will encourage investors to hedge riskier assets with gold.
- We therefore expect gold price to soar in the coming week as spiking COVID-19 cases and prospects of tougher restric-tions could boost the safe-haven metal's appeal.

### COCOA COCOA PRICES POST NEW 2-WEEK HIGH ON TECHNICAL BUYING

- NY cocoa prices on Thursday (31/12/2020) closed at a 2-week high after seeing some technical buying and short-covering.
- A weak Harmattan, a seasonal wind from the Sahara Desert that blows across West Africa, has benefitted Ivory Coast cocoa crops and is bearish for prices. Farmers across the Ivory Coast have reported mild Harmattan winds, with continued rain boosting cocoa crop yields.
- The Ivory Coast government reported that Ivory Coast farmers sent 66,387 MT of cocoa to ports from December 21-27, down -32% y/y. However, cumulative cocoa bean deliveries to ports in the Ivory Coast during Oct 1-Dec 27 were up +4.7% y/y at 1.12 MMT.
- In a positive factor for cocoa prices, the International Cocoa Organization (ICCO), on Dec 2,2020 cut its global 2019/20 cocoa surplus estimate to +19,000 MT from a prior estimate of +42,000 MT.
- We therefore expect the price of Cocoa to remain slightly stable on concern about weak cocoa demand due to the pandemic.

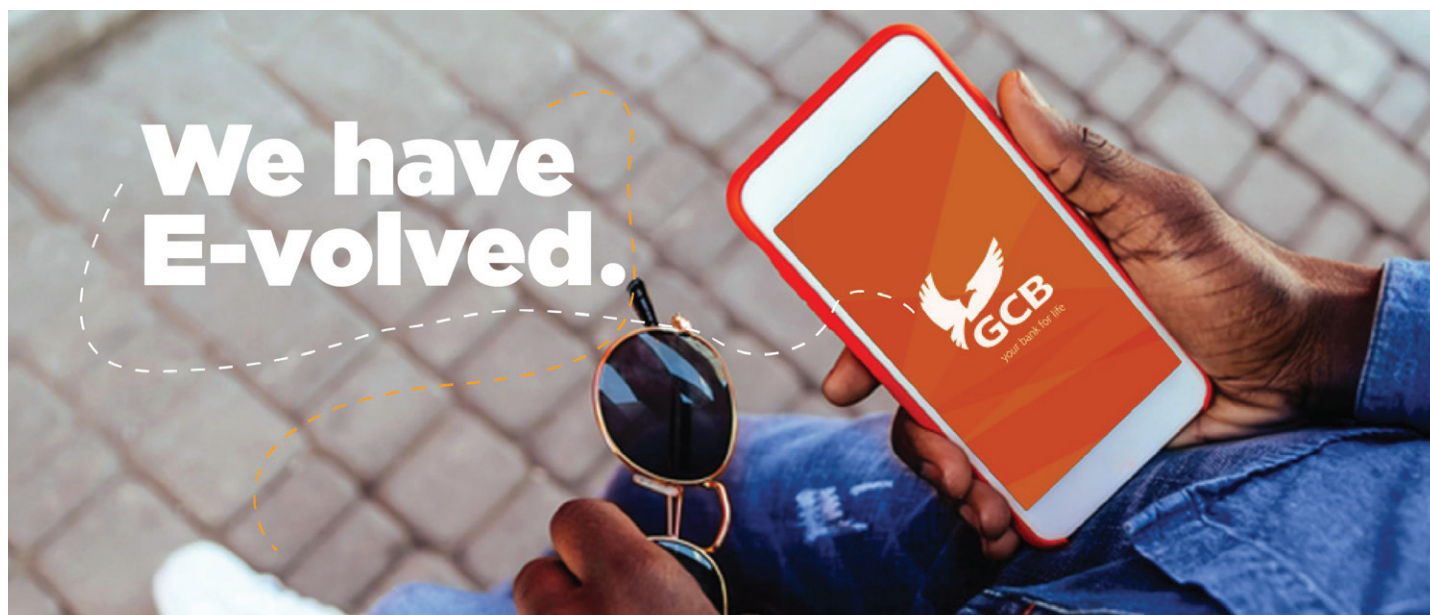
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,880.40	1,895.10	1,883.20	0.63
Cocoa ICCO	USD/ton	2,355.17	2,424.35	2,385.85	1.61
WTI Crude	USD/bbl	47.62	48.52	48.23	0.60
Brent Crude	USD/bbl	50.86	51.80	51.29	0.99
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,895.10	1,880.40	24.42	24.42
Cocoa ICCO	2,424.35	2,334.66	(1.35)	(1.35)
WTI Crude Oil	48.52	47.62	(20.54)	(20.54)
Brent Crude	51.80	50.86	(21.52)	(21.52)
Source: Bloomberg; International Cocoa Organization				



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