

Commodity Market Update

Date Issued | 8th February, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities advanced in price with the exception of Gold.
- Gold price dropped by 2.02% to \$1,813.00 compared to the previous week's price of \$1,850.30.
- WTI and Brent Crude improved by 8.91% and 6.19% at \$56.85 and \$59.34 respectively to close the trading week.
- Cocoa price also advanced by 0.43% at \$2,411.79 to close the week compared to its price of \$2,401.55 in the previous week.
- On a year-to-date basis, gold and cocoa fell by 4.33% and 0.52% respectively whereas WTI and Brent crude oil went up by 17.17% and 14.56% respectively.
- Year-on-year, gold was up by 16.01% and cocoa down by 10.72%. While WTI and Brent crude oil on the contrary edged up by 12.02% and 7.34% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL RISES 8%, HITS HIGHEST IN A YEAR ON GROWTH HOPES, OPEC+ OUTPUT CUTS

- Oil prices rose about 8% on Friday (05/02/2021), after hitting their highest in a year supported by economic revival hopes and supply curbs by producer group OPEC and its allies.

- Oil was also supported as U.S. stock markets hit record highs on signs of progress toward more economic stimulus, while a U.S. jobs report confirmed the labor market was stabilizing.

- Brent crude ended the week up by 6.19%, at \$59.34 after hitting its highest since Feb. 20, 2020. U.S. crude settled at \$56.85, up by 8.91%, its highest since Jan. 22 last year.

- OPEC and allies, collectively known as OPEC+, stuck to their supply tightening policy. Record OPEC+ cuts have helped lift prices from historic lows last year.

- The rollout of COVID-19 vaccines has fed hopes of demand growth, but even optimists, such as the Organization of the Petroleum Exporting Countries which expects a market deficit throughout 2021, do not expect oil consumption to return to pre-pandemic levels until 2022.

- We however expect oil prices to remain stable boosted by supply cuts among key producers and hopes for further U.S. economic stimulus measures that can boost demand.

GOLD

GOLD WITNESSED WORST WEEK IN FOUR ON STRENGTH IN DOLLAR

- Gold gained on Friday (05/02/2021), recovering from a more than two-month low in the previous session, as it recorded its biggest weekly drop in four due to a stronger dollar.

- The economic outlook is definitely brighter with vaccines bringing down daily COVID-19 infections, and the macro data is improving, undermining the demand for precious metals as a store of value.

- Also, the dollar held firm at a more than two-month peak, while longer-term U.S. Treasury yields rose as investors positioned for a large pandemic relief package from Washington and a stabilizing U.S. labor market.

- The bullion has been under pressure amid expectations of a robust economic recovery fuelled by the vaccines' rollout and more government spending. While a pick-up in risk appetite may dent gold's appeal, the threats posed by record-high debt levels should drive prices higher in the long-run.

- We therefore expect gold price to remain stable as investor focus on the return to prospects of a substantial U.S. stimulus package, which will boost gold's appeal as an inflation hedge.

COCOA

COCOA PRICES SETTLE MODERATELY HIGHER ON SIGNS OF STRONGER COCOA DEMAND

- Cocoa prices on Friday (05/02/2021) settled moderately higher on signs of stronger global cocoa demand. The Ivory Coast's Gepex, an exporters group that includes six of the world's biggest cocoa grinders, reported on Friday that its January cocoa processing rose +7.4% y/y to 52,053 MT.

- Cocoa prices found support on better-than-expected Asian and North American Q4 grinding data. Data on January 15 showed Asia Q4 cocoa grindings fell -4.2% y/y to 217,546 MT, a smaller decline than expectations of -9% y/y. Also, North American Q4 cocoa processing unexpectedly rose +7% y/y to 118,043 MT, stronger than expectations of a decline of -2.5% y/y and the highest for a fourth-quarter in 5 years.

- However, the European Cocoa Association reported Jan 20 that Q4 European cocoa grindings fell -3.1% y/y to 344,151 MT, a bigger decline than expectations of -1.5% y/y and the weakest report for a fourth-quarter in 4 years.

- We therefore expect the price of Cocoa to bounce back steadily on signs of smaller cocoa supplies.

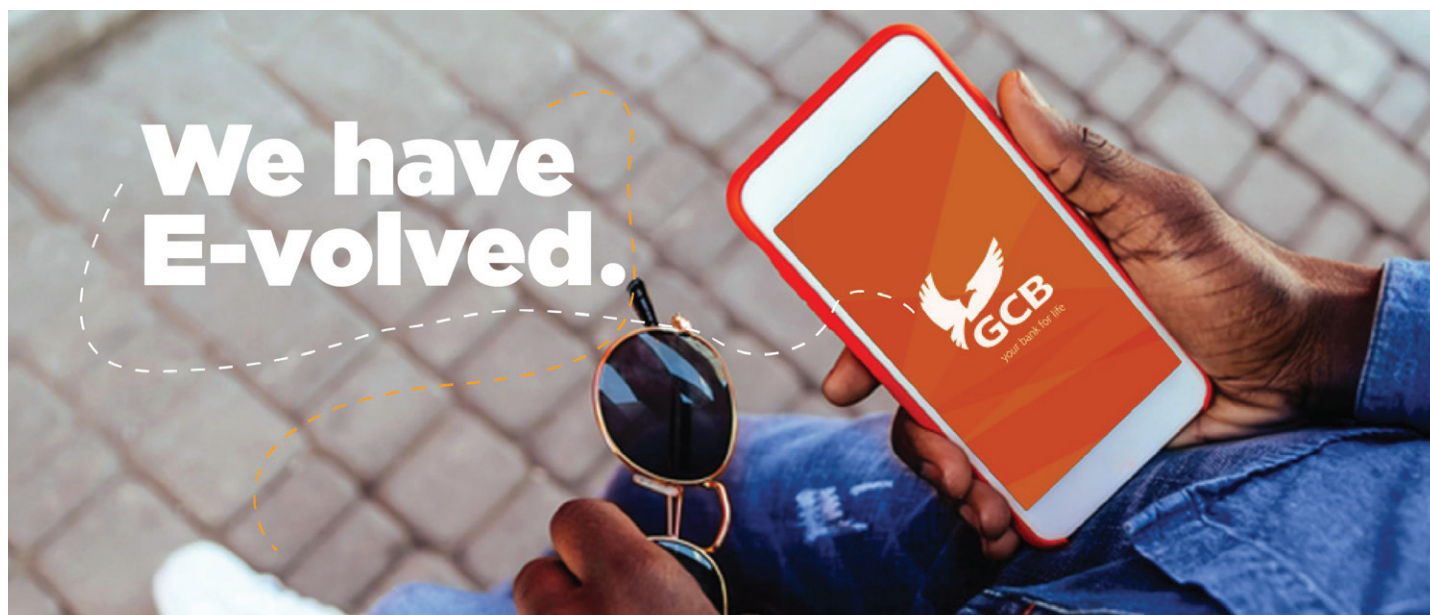
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,863.90	1,813.00	1,850.30	(2.02)
Cocoa ICCO	USD/ton	2,413.32	2,411.79	2,401.55	0.43
WTI Crude	USD/bbl	53.55	56.85	52.20	8.91
Brent Crude	USD/bbl	56.35	59.34	55.88	6.19
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,863.90	1,791.20	(4.33)	16.01
Cocoa ICCO	2,426.34	2,381.57	(0.52)	(10.72)
WTI Crude Oil	56.85	53.55	17.17	12.02
Brent Crude	59.34	56.35	14.56	7.34
Source: Bloomberg; International Cocoa Organization				



Commodity Market Update

Date Issued | 8th February, 2021



Customer Service: 0202 111 177 0264 270 236

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

Toll Free: 0800 422 422

Follow GCB Bank Limited



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 Bedjah

Email: mbedjah@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

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.