

Commodity Market Update

Date Issued | 15th February, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities advanced in price with the exception of Cocoa.
- Gold price improved by 0.56% to \$1,823.20 compared to the previous week's price of \$1,813.00.
- WTI and Brent Crude also advanced by 4.61% and 5.21% at \$59.47 and \$62.43 respectively to close the trading week.
- Cocoa price on the contrary dipped by 0.70% at \$2,394.93 to close the week compared to its price of \$2,411.79 in the previous week.
- On a year-to-date basis, gold and cocoa was down by 3.79% and 1.21% respectively whereas WTI and Brent crude oil edged up by 22.57% and 20.52% respectively.
- Year-on year, gold gained 16.01% and cocoa lost 12.74%. While WTI and Brent crude oil increased by 16.22% and 11.90% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL EDGES HIGHER ON U.S. STIMULUS HOPES, TIGHTER SUPPLIES

- Oil prices climbed more than 4% on Friday (12/02/2021), hitting the highest levels in more than a year on hopes a U.S. stimulus will boost the economy and fuel demand, as supplies tighten due largely to output cuts by top producing countries.

- Prices have rallied over recent weeks as supplies tighten, due largely to production cuts from the Organization of the Petroleum Exporting Countries (OPEC) and allied producers in the group OPEC+.

- Meanwhile U.S. President Joe Biden pushed for the first major legislative achievement of his term on Friday (19/02/2021), turning to a bipartisan group of local officials for help on his \$1.9 trillion coronavirus relief plan.

- Expected U.S. stimulus and ongoing vaccine progress is likely to maintain appetite for risky assets in offering support to the oil market.

- We nevertheless expect oil prices to remain steady as both OPEC and the International Energy Agency (IEA) said renewed lockdowns and the emergence of new coronavirus variants reduce the prospect of a swift demand recovery.

GOLD

GOLD HEADS FOR BEST WEEK IN THREE ON DOLLAR WEAKNESS

- Gold closed higher on Friday (12/02/2021) as investors awaited fresh catalysts, although prices were on track to post their best week in three, helped by a weaker dollar.

- A weaker dollar and rising hopes of a U.S. stimulus package elevated bullion's appeal as a hedge against inflation.

- President Joe Biden plans to ask Congress this month to invest heavily in infrastructure after his \$1.9 trillion COVID-19 aid package winds its way through Congress in the next few days without significant Republican support.

- Also a slower-than-expected vaccine rollout and the rise of coronavirus variants may make attaining herd immunity against COVID-19 difficult, but that should not stop the economy from rebounding.

- We therefore expect gold price to remain supported as the spectra of stimulus measures in the U.S. rises.

COCOA

COCOA PRICES CLOSE LOWER ON A PROLONG WEAK DEMAND

- Cocoa prices on Friday (12/02/2021) plunged to a 2-3/4-month low on concern the global pandemic will keep cocoa demand weak.

- Global chocolate demand concerns are negative for cocoa prices. Concerns have increased that Valentine's Day chocolate sales could fall from last year as tighter social distancing rules from the COVID pandemic delay a recovery in chocolate demand.

- Also, a recent survey by the National Retail Federation showed that U.S. consumers plan to spend only \$21.8 billion to celebrate Valentine's Day this year, down from \$27.4 billion last year, a negative sign for chocolate sales. Valentine's Day is one of the top days for chocolate candy sales.

- Dry weather and heat last week in Ivory Coast's central cocoa-growing regions threatened to reduce the quantity and quality of the April-to-September mid-crop.

- However, rainfall was above average in the southern regions of Agboville and Divo, in the eastern region of Abengourou and in the western region of Soubre, where farmers said they expected harvesting for the mid-crop to begin in April and pick up by mid-May.

- We however expect the price of Cocoa to trade sideways on signs of smaller cocoa supplies.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,834.20	1,823.20	1,813.00	0.56
Cocoa ICCO	USD/ton	2,398.96	2,394.93	2,411.79	(0.70)
WTI Crude	USD/bbl	57.97	59.47	56.85	4.61
Brent Crude	USD/bbl	60.56	62.43	59.34	5.21

Source: Bloomberg; International Cocoa Organization

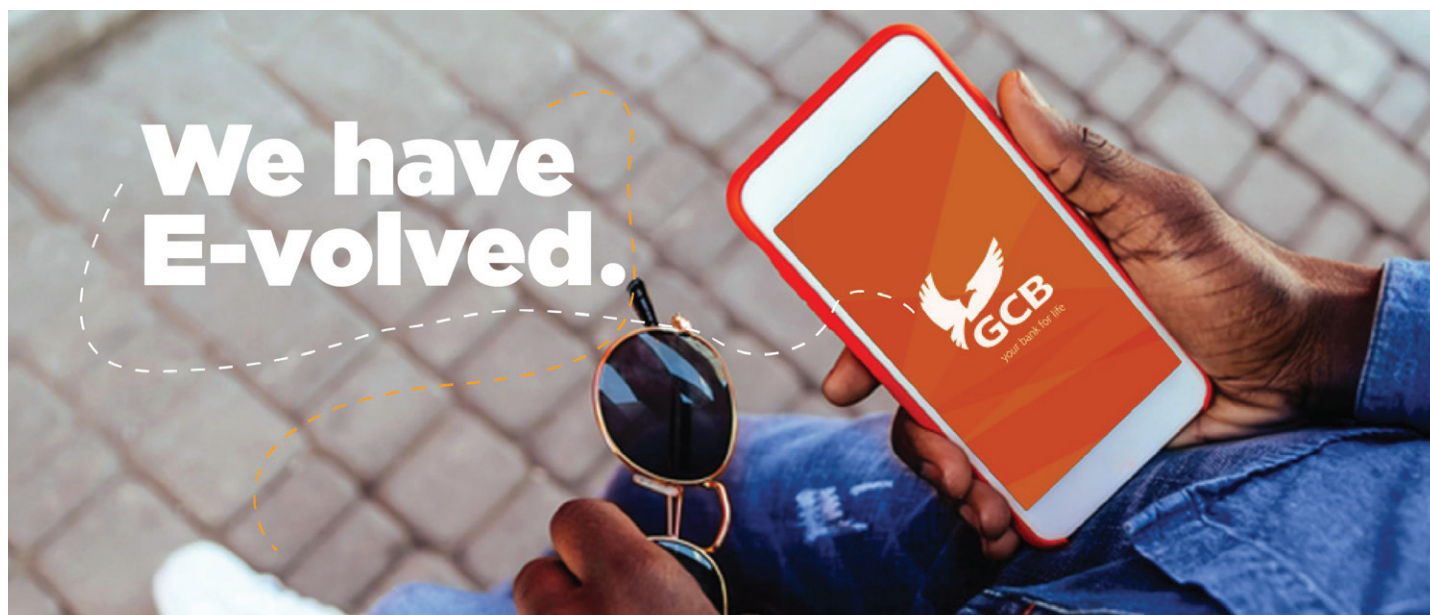
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,842.70	1,823.20	(3.79)	16.01
Cocoa ICCO	2,451.64	2,378.55	(1.21)	(12.74)
WTI Crude Oil	59.47	57.97	22.57	16.22
Brent Crude	61.47	60.56	20.52	11.90

Source: Bloomberg; International Cocoa Organization



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