

Commodity Market Update

Date Issued | 16th November, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, prices of all commodities in our basket of tracked commodities edged up in price except the price of Gold.

- Gold went down by 3.36% to \$1,886.20 compared to the previous week's price of \$1,951.70.

- WTI and Brent Crude improved by 8.05% and 8.44% to \$40.13 and \$42.78 respectively to end the trading week.

- Cocoa price also advanced by 0.74% at \$2,238.41 to close the week compared to its price of \$2,222.07 in the previous week.

- On a year-to-date basis, gold gained 23.84% while cocoa declined in price by 8.91%. WTI and Brent crude oil also dipped by 34.28% and 35.18% respectively.

- Year-on year, gold was up by 28.90% whereas cocoa edged lower by 14.22%. WTI and Brent crude oil also dropped by 29.74% and 31.41% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL GAINS NEARLY 3% ON VACCINE HOPES, EVEN AS NATIONS REIMPOSE LOCKDOWNS

- Oil ended higher on Friday (13/11/2020) as hopes that a COVID-19 vaccine is on the horizon outweighed worries about a drop in fuel demand from new lockdowns to contain the virus.

- Both contracts jumped 8%, their biggest weekly gains in more than five months, after drug maker Pfizer said their experimental COVID-19 treatment was more than 90% effective based on initial trial results.

- Prices were also boosted by comments from Saudi Arabia's energy minister, who said that the Organization of the Petroleum Exporting Countries and its allies, together known as OPEC+, could tweak their supply pact if demand slumps before the vaccine is available.

- OPEC+ agreed to cut supply by 7.7 million barrels per day (bpd) from August through December and then ease the cuts by about 2 million bpd in January, 2021.

- In the meantime, renewed lockdowns in Europe and rising coronavirus cases in the United States are still hurting fuel demand.

- We therefore expect oil prices to be pressured down by possible excess supply due to restrictions and lockdowns.

GOLD

GOLD SLIDES 1% AFTER MODERNA BOOSTS VACCINE RACE

- Gold retreated more than 1% on Friday (13/11/2020) after drug maker Moderna declared an effective COVID-19 vaccine in tests, bolstering hopes for a swifter economic recovery and accelerating a shift into riskier assets.

- Moderna became the second company in a week to report late-stage clinical trial results that exceeded expectations, but gold's price reaction was relatively mild.

- Also gold prices came under some pressure on the back of news that the Asia Pacific region, including South Korea, China and Japan, had signed the world's largest free-trade agreement.

- Gold has been bolstered during the COVID-19 crisis because investors have flocked to the perceived safety of such assets. Gold also is historically seen as a hedge against central bank and governmental spending efforts to prevent major economic damage from the viral outbreak.

- We therefore expect gold price to rebound in the coming week with on concerns over the rollout of Covid-19 vaccines as global infections continue to mount.

COCOA

COCOA PRICES SETTLE HIGHER AS DATA FROM CALLEBAUT EASES CHOCOLATE DEMAND CONCERNS

- Cocoa prices on Friday (13/11/2020) moved higher on signs that chocolate demand is holding up better-than-expected from the Covid pandemic. Callebaut, the world's largest cocoa processor, reported that chocolate confectionery demand fell -0.3% in the year through August, a much smaller decline than expectations of -3.0%.

- Another positive factor was data from Gepex, a cocoa organization representing six of the world's largest cocoa grinders, which showed Oct cocoa processing by its members rose +4.2% y/y to 49, 422 MT.

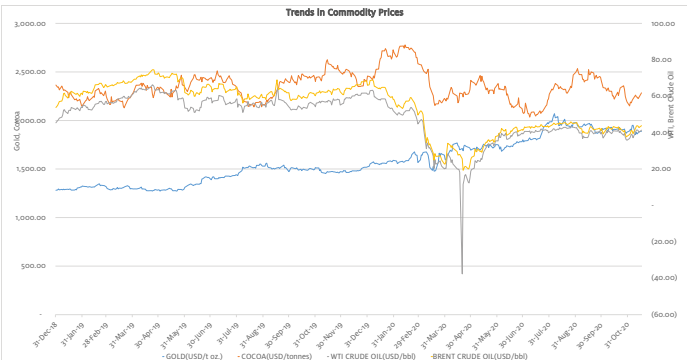
- Cocoa supplies from the Ivory Coast remain abundant after Ivory Coast government data showed that cumulative cocoa bean deliveries in the Ivory Coast ports during Oct 1-Nov 8 were up +11% y/y at 492,959 MT.

- Meanwhile, cocoa demand concerns continue as surging Covid infections throughout the world have prompted governments to impose new restrictions, thus undercutting chocolate consumption. The Covid virus has now infected 51.974 million persons globally, with deaths exceeding 1.282 million.

-We therefore expect the price of Cocoa to remain weighed by demand and supply factors in the coming week.

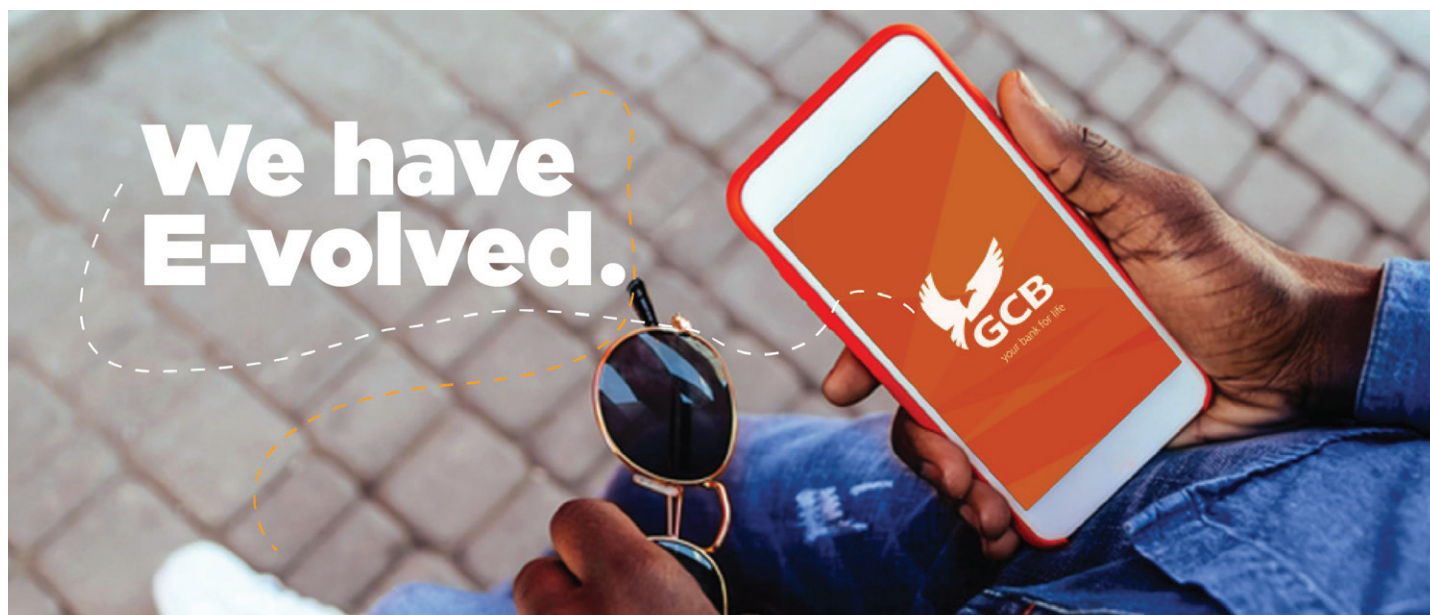
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,854.40	1,886.20	1,951.70	(3.36)
Cocoa ICCO	USD/ton	2,261.50	2,238.41	2,222.07	0.74
WTI Crude	USD/bbl	40.29	40.13	37.14	8.05
Brent Crude	USD/bbl	42.40	42.78	39.45	8.44
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,886.20	1,854.40	23.84	28.90
Cocoa ICCO	2,261.50	2,225.24	(8.91)	(14.22)
WTI Crude Oil	41.45	40.13	(34.28)	(29.74)
Brent Crude	43.80	42.40	(35.18)	(31.41)
Source: Bloomberg; International Cocoa Organization				



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