

# Commodity Market Update

Date Issued | 17th August, 2020

## COMMODITY MARKET OVERVIEW

- In the just ended week, Gold and Cocoa declined in price to end the week, whereas WTI and Brent Crude increased in price.
- Gold dipped by 3.86% to \$1,949.80 compared to the previous week's price of \$2,028.00.
- WTI and Brent Crude inched up in price by 1.92% and 0.90% to \$42.01 and \$44.80 respectively to end the trading week.
- Cocoa price also dropped by 2.05% at \$2,332.05 to close the week compared to its price of \$2,380.77 in the previous week.
- On a year-to-date basis, gold edged up in price by 28.02% while cocoa decreased by 5.10%. WTI and Brent crude oil also went down by 31.20% and 32.12% respectively.
- Year-on year, gold and cocoa rose by 29.25% and 6.29% respectively. WTI and Brent crude oil also fell by 22.92% and 23.46% accordingly.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL RISES ON CHINA'S PLAN TO BOOST U.S. IMPORTS, OPEC+ COMPLIANCE

- Oil prices settled higher on Friday, as OPEC+ producers almost fully complied in July with their global production cut accord, and after U.S. officials said China is in compliance with the first phase of the two nations' trade deal.

- The oil-producing nations have been cutting output by record levels to curb supply and reduce worldwide inventories. Compliance with OPEC+ oil output cuts is seen at around 97% in July.

- Prices were also bolstered earlier in the week by U.S. government data showing crude oil, gasoline and distillate inventories falling last week as refiners ramped up production and demand for oil products rose.

- However, oil prices came under pressure within the week on worries that demand would recover more slowly than expected from COVID-19 pandemic lockdowns, while rising supply also overshadowed optimism over falling crude and fuel inventories.

- We expect Crude oil prices to remain stable in the upcoming week as investors are waiting on Wednesday's ministerial OPEC+ committee, known as the JMMC that will review compliance with the global oil supply reduction pact, although no change in the agreement is expected.

### GOLD

#### GOLD SET FOR WORST WEEK SINCE MARCH, PRESSURED BY HIGH YIELDS

- Gold fell on Friday (14/08/2020), on track for its worst week since March, as an uptick in U.S. Treasury yields and a logjam over a U.S. stimulus bill to help the coronavirus-hit economy dented the metal's allure.

- The benchmark U.S. 10-year Treasury yield hovered near seven-week highs, while hopes for a fresh round of U.S. coronavirus relief faded as Congress went into recess.

- Higher yields increase the opportunity cost of holding non-yielding assets such as bullion, which has climbed over 28% so far this year.

- Also, poor economic data from far and wide, including disappointing U.S. retail sales, also did not help safe-haven gold.

- For the coming week, we expect gold to remain under minimal pressure on lingering risk appetite, while the Sino-U.S. trade relationship hints at potential improvement.

### COCOA

#### COCOA PRICES ERASE AN EARLY RALLY AND CLOSE LOWER ON DEMAND CONCERNS

- Cocoa prices on Friday (14/08/2020) erased an early rally and closed lower. Cocoa prices Friday morning initially rallied sharply with London cocoa at a 1-1/2 month high on political unrest in the Ivory Coast after violent protests erupted against Ivory Coast President Ouattara's decision to seek a third term in October's presidential election.

- However, cocoa prices gave up their gains and turned lower on data from GEPEX, a cocoa exporter group that includes six of the world's biggest cocoa grinders. Data showed the group's July cocoa processing fell -3.2% y/y to 46,682 MT, a sign of weak demand.

- Cocoa prices fell to 1-week lows on robust cocoa supplies from the Ivory Coast, the world's biggest cocoa producer. The Ivory Coast government reported Tuesday (11/08/2020) that Ivory Coast farmers sent 9,834 MT of cocoa to ports during Aug 3-9, up +35% y/y. A total of 2.24 MMT of cocoa was also sent to ports during Oct 1-Aug 9, up +5.2% y/y.

- A bullish factor is smaller cocoa output from Nigeria, the world's fifth-biggest cocoa producer. The Cocoa Association of Nigeria on July 17 cut its Nigeria 2019/20 cocoa production estimate to 148,750 MT from a previous estimate of 181,475 MT, citing the spread of the fungal black pod disease caused by heavy rain in Nigeria's main growing areas.

| COMMODITY   | Unit    | Price (week start) | Price (week close) | Previous week close | Wkly (%Δ) |
|---|---------|--------------------|--------------------|---------------------|-----------|
| Gold (Comex)  | USD/oz  | 2,039.70           | 1,949.80           | 2,028.00            | (3.86)    |
| Cocoa ICCO  | USD/ton | 2,359.57           | 2,332.05           | 2,380.77            | (2.05)    |
| WTI Crude   | USD/bbl | 41.94              | 42.01              | 41.22               | 1.92      |
| Brent Crude   | USD/bbl | 44.99              | 44.80              | 44.40               | 0.90      |
| Source: Bloomberg; International Cocoa Organization |         |                    |                    |                     |           |

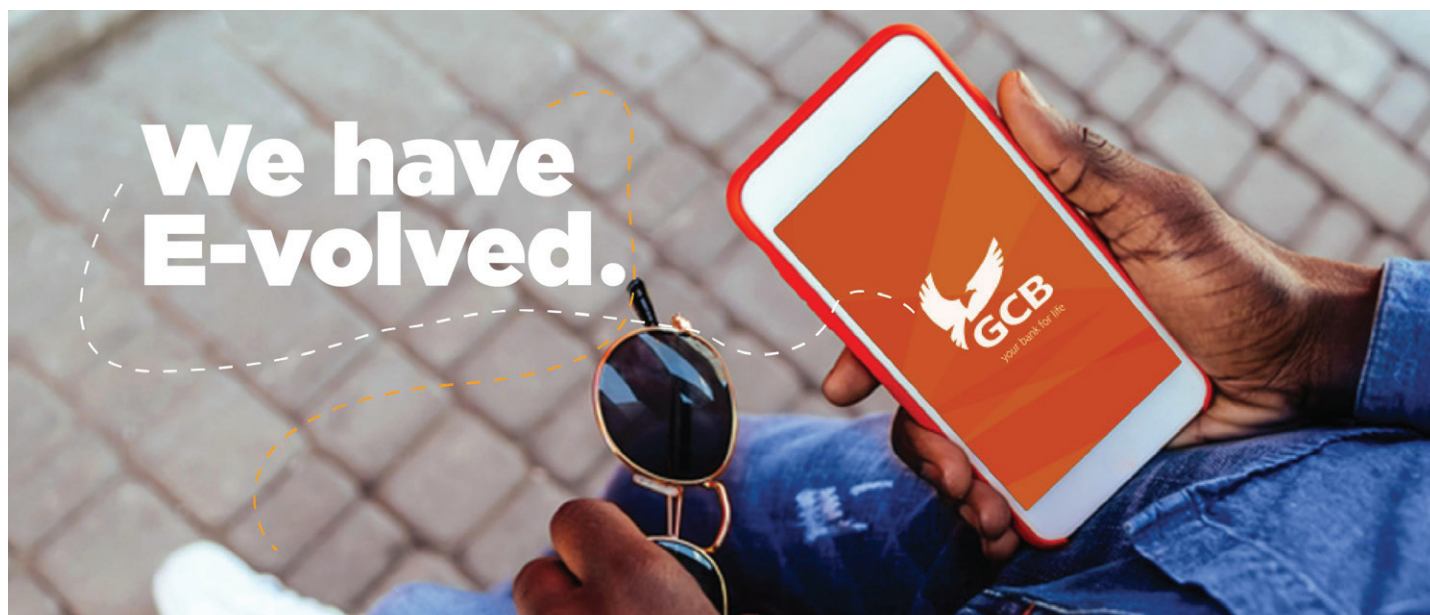
| WEEKLY HIGHS AND LOWS                               |             |            |          |          |
|---|-------------|------------|----------|----------|
| COMMODITY   | Weekly high | Weekly low | YTD (%Δ) | YoY (%Δ) |
| Gold (Comex)  | 2,039.70    | 1,946.30   | 28.02    | 29.25    |
| Cocoa ICCO  | 2,359.57    | 2,327.03   | (5.10)   | 6.29     |
| WTI Crude Oil                                       | 42.67       | 41.61      | (31.20)  | (22.92)  |
| Brent Crude   | 45.43       | 44.50      | (32.12)  | (23.46)  |
| Source: Bloomberg; International Cocoa Organization |             |            |          |          |

Commodity Price, 01 Jan to date



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