

# Commodity Market Update

Date Issued | 22nd September, 2020

## COMMODITY MARKET OVERVIEW

- In the just ended week, Gold and Cocoa strengthened in price while WTI and Brent Crude also advanced in price to close the week.
- Gold improved by 0.73% to \$1,962.10 compared to the previous week's price of \$1,947.90.
- WTI and Brent Crude advanced by 10.13% and 8.34% to \$41.11 and \$43.15 respectively to end the trading week.
- Cocoa price also gained by 3.73% at \$2,500.92 to close the week compared to its price of \$2,410.94 in the previous week.
- On a year-to-date basis, gold and cocoa rose in price by 28.82% and 1.77% respectively. WTI and Brent crude oil dipped by 32.67% and 34.62% correspondingly.
- Year-on year, gold and cocoa inched up by 29.44% and 6.67% respectively. WTI and Brent crude oil reduced by 29.25% and 32.15% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL OIL RISES, REVERSES LOSSES AS OPEC+ ADDRESSES MARKET WEAKNESS

- Oil prices rose more than 2% on Friday (18/09/2020), turning positive as OPEC and its allies said the producer group would crack down on countries that failed to comply with output cuts and planned to hold an extraordinary meeting in October if oil markets weaken further.
- Brent oil futures extended gains to settle up 4.04% at \$41.44 a barrel while U.S. crude futures settled higher by 5.30% at \$39.31 a barrel. Both contracts rose more than 4% to end the week.
- The panel of major producers, including Saudi Arabia and Russia, did not recommend any changes to their current output reduction target of 7.7 million barrels per day (bpd), or around 8% of global demand.
- The OPEC news overshadowed the restart of U.S. offshore production after Hurricane Sally passed through the Gulf of Mexico and bearish U.S. economic news.
- However, the panel pressed laggards such as Iraq, Nigeria and the United Arab Emirates to cut more barrels to compensate for overproduction in May-July, while extending the compensation period from September to the end of December.
- We therefore expect Crude oil prices to be bolstered in the week ahead as the expectation that output could fall as the UAE and others trim production.

### GOLD GOLD RISES AS DOLLAR WEAKENS, HEADS FOR SECOND WEEKLY GAIN

- Gold prices rose on Friday (18/09/2020), in direction to a second straight weekly gain, as the dollar weakened on concerns about economic recovery from the coronavirus crisis.
- The U.S. Federal Reserve vowed on Wednesday (16/09/2020) to keep interest rates near zero for a long time, while the United States considered a proposed \$1.5 trillion coronavirus aid bill.
- Lower interest rates, which reduce the opportunity cost of holding non-yielding bullion, and widespread stimulus measures have helped gold gain over 28% this year as it is seen as a hedge against inflation.
- Negative real yields and a weaker dollar, alongside the unprecedented stimulus, create a favorable macro environment for gold and are likely to be the key price drivers over the coming months.
- We therefore expect gold price to soar in the coming week as gold has surged about 29% this year as governments and central banks worldwide released unprecedented stimulus measures to revive their coronavirus-battered economies.

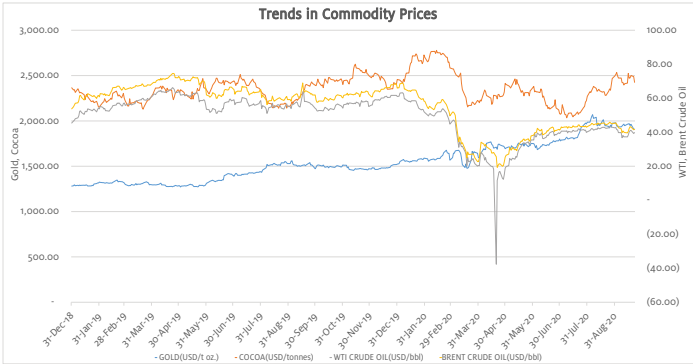
### COCOA COCOA PRICES PROJECTED TO BE RELATIVE STABLE

- Cocoa prices on Friday (18/09/2020) settled mixed with London cocoa at a 3-1/2 month high. Cocoa prices rallied early after Henri Bedie, the main opposition candidate for Ivory Coast President next month, called for civil disobedience to stop Ivory Coast President Ouattara from seeking a third term.
- The markets are concerned that any civil unrest could disrupt cocoa supplies ahead of the country's presidential election on Oct 31.
- Cocoa prices also has support from signs that Ghana cocoa farmers are hoarding their cocoa supplies on expectations for higher prices. The Ghana government is expected to raise the farm gate price for cocoa by +21% after implementing a \$400 per MT premium on cocoa prices starting Oct 1, prompting Ghana's cocoa farmers to withhold their beans from the market until then.
- We therefore expect cocoa prices to remain steady in the coming week.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close
Gold (Comex)	USD/oz	1,963.70	1,962.10	1,947.90
Cocoa ICCO	USD/ton	2,417.52	2,500.92	2,410.94
WTI Crude	USD/bbl	37.26	41.11	37.33
Brent Crude	USD/bbl	39.61	43.15	39.83
Source: Bloomberg; International Cocoa Organization				

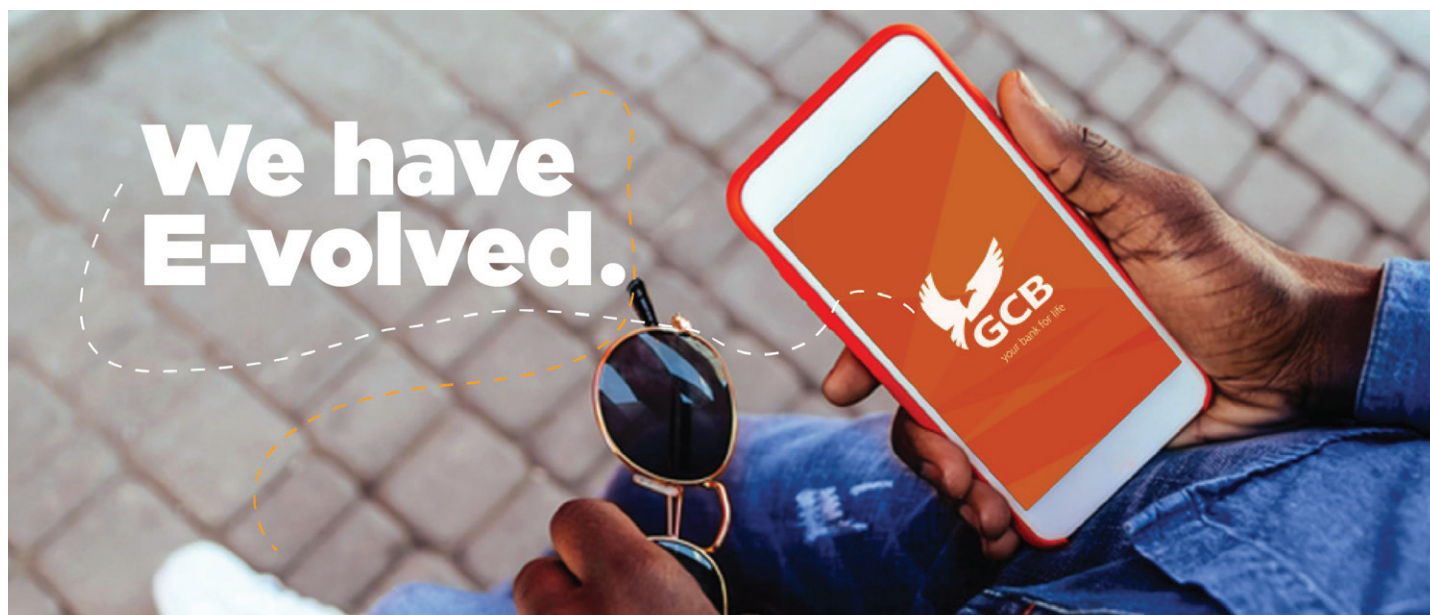
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,970.50	1,910.60	28.82	29.44
Cocoa ICCO	2,523.69	2,417.52	1.77	6.67
WTI Crude Oil	40.97	37.26	(32.67)	(29.25)
Brent Crude	43.30	39.61	(34.62)	(32.15)
Source: Bloomberg; International Cocoa Organization				

Commodity Price, 01 Jan to date



# Commodity Market Update

Date Issued | 22nd September, 2020



**Customer Service:** 0202 111 177 0264 270 236

**WhatsApp:** 0202 422 422 **Web:** [www.gccb.com.gh](http://www.gccb.com.gh)

**Toll Free:** 0800 422 422

**Follow GCB Bank Limited**



## Research Contacts

Lawson Oppong-Asante

Email: [loppong-asante@gcb.com.gh](mailto:loppong-asante@gcb.com.gh)

Tel: 0302 66 4910 -18

Adomako Osei-Frimpong

Email: [aofrimpong@gcb.com.gh](mailto:aofrimpong@gcb.com.gh)

Tel: 0302 66 4910 -18

Michael Bedjah

Email: [mbedjah@gcb.com.gh](mailto:mbedjah@gcb.com.gh)

Tel: 0302 66 4910 -18

## Treasury & Sales Contacts

Anthony Asare

Email: [akasare@gcb.com.gh](mailto:akasare@gcb.com.gh)

Tel: 0302 611 762

Daniel Boateng

Email: [daboateng@gcb.com.gh](mailto: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.