

Commodity Market Update

Date Issued | 25th January, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, Gold, Cocoa and Brent Crude increased in price while WTI Crude on the other hand declined in price.
- Gold price improved by 1.64% to \$1,859.90 compared to the previous week's price of \$1,829.90.
- WTI Crude dipped by 0.17% to \$52.27 whereas Brent Crude was up slightly by 0.56% to \$55.41 to end the trading week.
- Cocoa price also gained 0.44% at \$2,412.65 to close the week compared to its price of \$2,402.04 in the previous week.
- On a year-to-date basis, gold and cocoa went down by 1.86% and 0.48% respectively whereas WTI and Brent crude oil went up by 7.73% and 6.97% respectively.
- Year-on year, gold and cocoa appreciated by 44.92% and 9% respectively. While WTI and Brent crude oil depreciated by 1.40% and 9.90% correspondingly.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL FALLS ON CHINA'S COVID-19 CASES, HIGH CRUDE BUILD

- Oil prices settled mixed on Friday (22/01/2021) with Brent ending higher while WTI ended lower, weighed down by a build in U.S. crude inventories and worries that new pandemic restrictions in China will curb fuel demand in the world's biggest oil importer.

- Brent crude futures gained to settle at \$55.41 a barrel, for a 0.56% change on the week. U.S. West Texas Intermediate (WTI) crude futures fell by 0.17%, settling at \$52.27, nearly unchanged from the beginning of the week.

-Overall U.S. crude inventories surprisingly rose by 4.4 million barrels in the most recent week, versus expectations for a draw of 1.2 million barrels.

- Recovering fuel demand in China underpinned market gains late last year while the United States and Europe lagged, but that source of support is fading as a fresh wave of COVID-19 cases has sparked new restrictions.

- We therefore expect oil prices to be stressed in the coming week as support from U.S. stimulus plans and jitters about supplies competed with worries about demand due to renewed lockdowns to prevent the coronavirus from spreading.

GOLD

GOLD RISES AS U.S. STIMULUS HOPES BOLSTER APPEAL

- Gold prices rose on Friday (22/01/2021), recovering from a sharp decline in the previous week, as investors hoped that a massive economic stimulus would be passed soon in the United States to revive the world's largest economy.

- Gold prices fell more than 1% within the week as a broader market sell-off weighed on the metal along with a firm dollar but hopes for further stimulus from the U.S. put bullion on track for its first weekly gain in three.

- U.S. President Joe Biden has proposed a \$1.9 trillion coronavirus relief plan, though some Republicans have expressed concerns over the amount. Gold is considered a hedge against inflation, likely from widespread stimulus hence benefited from the proposal.

- We therefore expect gold price to end higher this week as the dollar and yields remained under pressure, with investors eyeing a dovish U.S. Federal Reserve and a big stimulus package under U.S. President Joe Biden's administration.

COCOA

NY COCOA CLOSES AT A 2-WEEK HIGH AFTER SOME IVORY COAST COCOA FARMERS GO ON STRIKE

- Cocoa prices on Friday (22/01/2021) rallied, with NY cocoa at a 2-week high and London cocoa at a 5-week high. Cocoa prices gained after some Ivory Coast cocoa farmers said they would strike and store their unsold beans in protest to low prices.

- The Ivory Coast and Ghana have accused some international chocolate companies of trying to avoid paying a \$400-a-ton premium designed to support farmers by buying cocoa supplies through the ICE exchange.

- Cocoa prices were already in rally mode on better-than-expected global Q4 grinding data. Data 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 Q4 in 5 years.

- We expect the price of Cocoa to trade sideways on concern that chocolate demand may suffer as a worsening pandemic forces countries to tighten and prolong lockdowns in an attempt to slow the spread of COVID.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,829.90	1,859.90	1,829.90	1.64
Cocoa ICCO	USD/ton	2,430.36	2,412.65	2,402.04	0.44
WTI Crude	USD/bbl	52.36	52.27	52.36	(0.17)
Brent Crude	USD/bbl	54.75	55.41	55.10	0.56

Source: Bloomberg; International Cocoa Organization

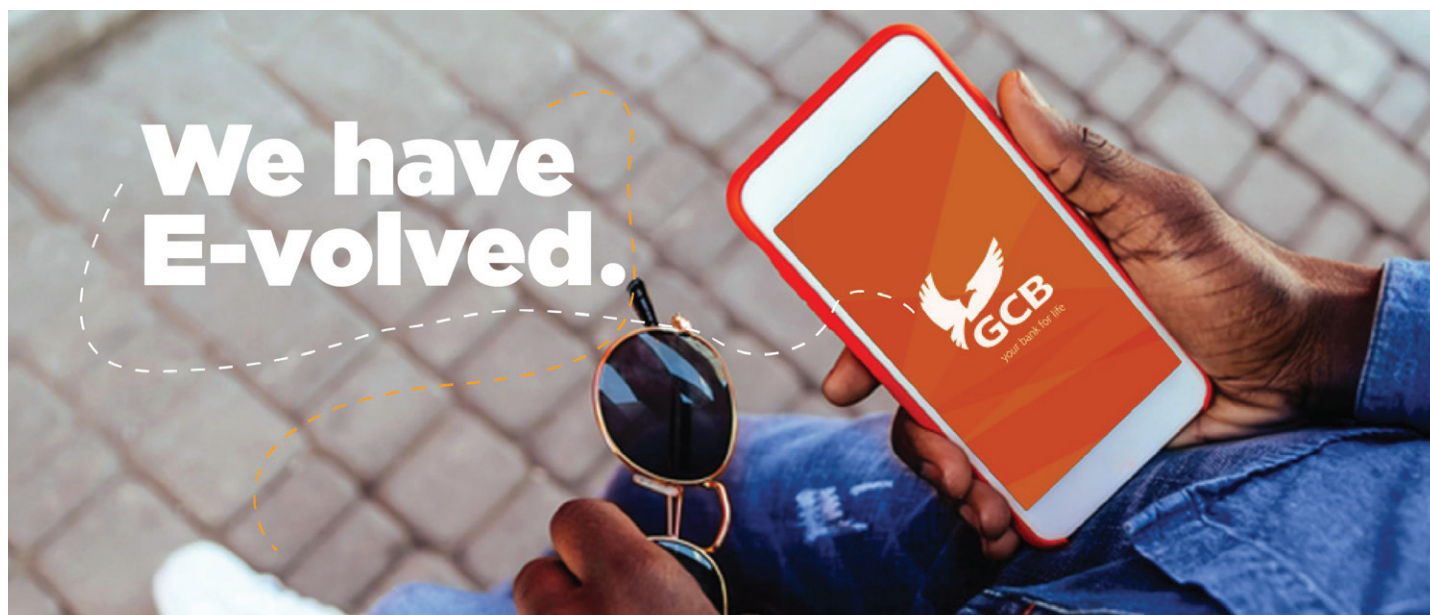
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,869.30	1,829.90	(1.86)	44.92
Cocoa ICCO	2,459.86	2,412.65	(0.48)	9.00
WTI Crude Oil	53.31	52.27	7.73	(1.40)
Brent Crude	56.08	54.75	6.97	(9.90)

Source: Bloomberg; International Cocoa Organization



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