

Commodity Market Update

Date Issued | 26th October, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, Cocoa advanced in price whereas Gold, WTI and Brent crude weakened in price.
- Gold declined by 0.06% to \$1,905.20 compared to the previous week's price of \$1,906.40.
- WTI and Brent Crude similarly dropped by 2.52% and 2.70% to \$39.85 and \$41.77 respectively to end the trading week.
- Cocoa price however improved by 4.66% at \$2,341.56 to close the week compared to its price of \$2,237.28 in the previous week.
- On a year-to-date basis, gold was up by 25.09% while cocoa dipped in price by 4.72%. WTI and Brent crude oil likewise dropped by 34.74% and 36.71% respectively.
- Year-on year, gold improved by 27.38% whereas cocoa fell by 4.09%. WTI and Brent crude oil also edged lower by 28.80% and 31.71% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL FALLS ABOUT 2% ON LIBYAN OUTPUT, COVID-19 DEMAND CONCERNS

- Oil fell nearly 2% on Friday (23/10/2020), finishing lower for the week, in anticipation of a surge in Libyan crude supply and demand concerns caused by surging coronavirus cases in the United States and Europe.

- Crude prices sank after Libya's National Oil Corp (NOC) said it lifted force majeure on exports from key ports and output would reach 1 million barrels per day in four weeks which weighed on oil prices.

- Also, Italy and several U.S. states reported record daily increases in infections, while France extended curfews for about two-thirds of its population as the second wave of the COVID-19 pandemic sweeps across Europe.

- Meanwhile, OPEC+, which includes Russia and the Organization of the Petroleum Exporting Countries, is due to increase production by 2 million bpd from January 2021.

- The increase in oil rig counts also weighed on the price of crude oil during the week under review. U.S. energy companies added five oil rigs to raise the total rig count to 287 in the week to Oct. 23, the highest since May.

- These fast growing production we believe will continue to stress oil prices in the coming week. We therefore expect oil prices to remain under pressure due to demand uncertainty arising out of increasing COVID-19 cases in USA and the Erozone.

GOLD

GOLD SLIPS AS ELECTION UNCERTAINTY CAPS LOSSES

- Gold prices dipped on Friday (23/10/2020) as investors kept a close watch on the final U.S. presidential election debate and sought further clarity on a coronavirus aid package.

- Furthermore, appeal for the yellow metal was further weighed down by a stronger dollar and doubts over a U.S. stimulus package before the presidential elections.

- U.S. House Speaker Nancy Pelosi said negotiators were making progress in talks with the White House over a new coronavirus fiscal aid package and a deal could be reached pretty soon.

- We therefore expect gold price to trade sideways in the coming week as focus now shifts to the outcome of the U.S. presidential election Nov. 3.

COCOA

NY COCOA SETTLES AT A 3-WEEK HIGH AS A WEAK DOLLAR SPARKS SHORT-COVERING

- Cocoa prices on Friday (23/10/2020) moved higher for a second day, with NY cocoa at a 3-week high and London cocoa at a 2-week high. A weaker dollar on Friday sparked some short-covering in cocoa futures.

- Cocoa prices also had a carry-over support from Thursday (22/10/2020) when the World Bank in its Bi-Annual Commodity Markets Outlook raised its 2020 cocoa price forecast to \$2.40 kg from an April forecast of \$2.25 kg and raised its 2021 cocoa price forecast to \$2.44 kg from an April forecast of \$2.30 kg.

- Cocoa prices continue to be undercut by concern about weak demand. The Cocoa Association of Asia reported last Friday that Q3 Asia cocoa grindings tumbled -10% y/y to 202,665 MT, much weaker than expectations of -4.3% y/y.

- Cocoa prices are also under pressure on concern that the new lockdown measures imposed in some of Europe's biggest cities will curb chocolate consumption and demand.

- We therefore expect the price of cocoa to remain under minimal pressure due to worries about weaker-than-normal U.S. demand for chocolate over the Halloween holiday.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,911.70	1,905.20	1,906.40	-0.06
Cocoa ICCO	USD/ton	2,291.07	2,341.56	2,237.28	4.66
WTI Crude	USD/bbl	40.83	39.85	40.88	-2.52
Brent Crude	USD/bbl	42.62	41.77	42.93	-2.70
Source: Bloomberg; International Cocoa Organization					

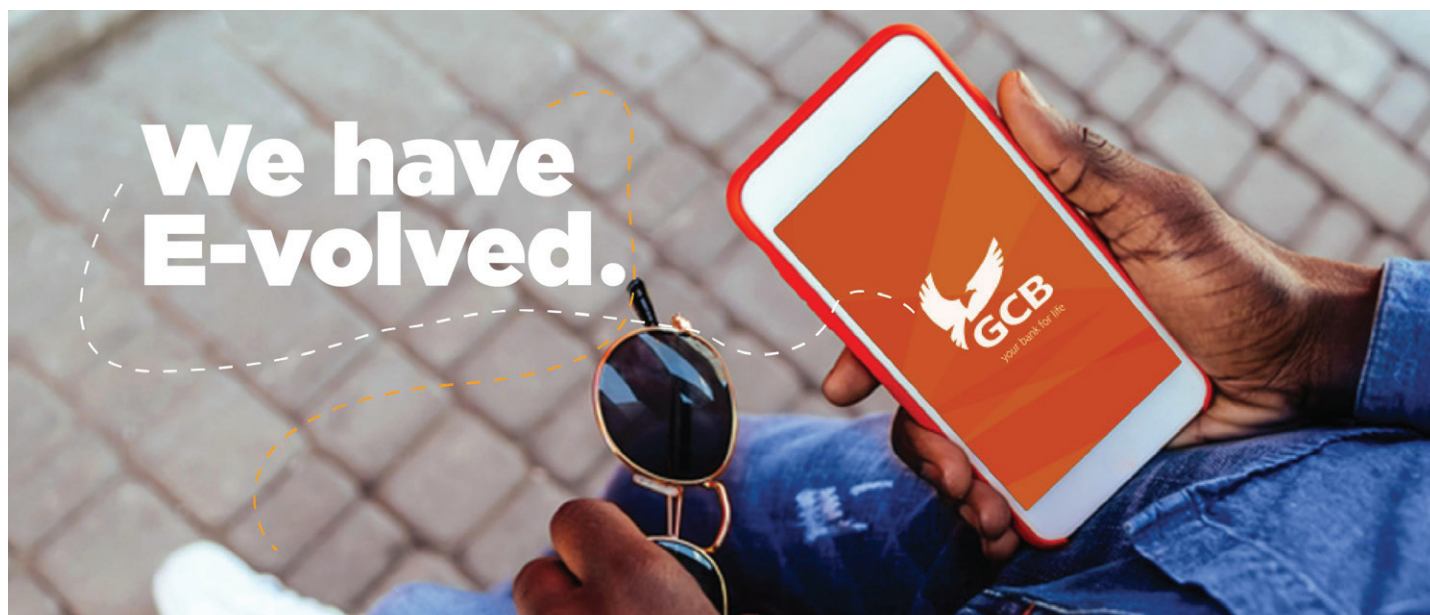
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,915.40	1,904.60	25.09	27.38
Cocoa ICCO	2,341.56	2,291.07	(4.72)	(4.09)
WTI Crude Oil	41.70	39.85	(34.74)	(28.80)
Brent Crude	43.16	41.73	(36.71)	(31.71)
Source: Bloomberg; International Cocoa Organization				

Commodity Price, 01 Jan to date



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