

# Commodity Market Update

Date Issued | 29th December, 2020

## COMMODITY MARKET OVERVIEW

- In the just ended week, with the exception of Cocoa which improved in price, all other commodities in our basket of tracked commodities fell in price.
- Gold weakened by 0.30% to \$1,883.20 compared to the previous week's price of \$1,888.90.
- WTI and Brent Crude also declined by 1.77% and 1.86% to \$48.23 and \$51.29 respectively to end the trading week.
- Cocoa price on the other hand advanced by 1.39% at \$2,385.85 to close the week compared to its price of \$2,353.03 in the previous week.
- On a year-to-date basis, gold inched up by 23.64% whereas cocoa fell by 2.91%. WTI and Brent crude oil also lost 21.01% and 22.29% respectively.
- Year-on year, gold and cocoa gained 25.15% and 1.30% respectively. WTI and Brent crude oil took the opposite direction by dropping 21.08% and 23.68% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL PRICES DIP AS DEMAND CONCERNS COUNTER U.S. STIMULUS

- Oil prices fell on Thursday (24/12/2020) as concerns about weakening fuel demand and the prospect of higher OPEC+ output outweighed optimism over a U.S. stimulus package.
- Oil prices strengthened earlier last week, with Brent rising above \$52 a barrel, as Democrats aimed for larger \$2,000 COVID-19 relief payments following U.S. President Donald Trump's signing of a \$2.3 trillion stimulus deal.
- But a new variant of the virus in the United Kingdom has led to restrictions on movement being re-imposed, hitting near-term demand and weighing on prices, while hospitalizations and infections surged in parts of Europe and Africa.
- Further adding to the pressure on the price of oil is the Jan. 4, 2020 meeting of the Organization of the Petroleum Exporting Countries and allies including Russia, a group known as OPEC+ which is set to boost output by 500,000 barrels per day in January and February.
- While much focus will remain on the demand side of the global oil balances this week and into the New Year, the supply side of the equation will be garnering more attention next month after OPEC+ cranks up its production allowances.
- We therefore expect the direction of oil prices in the coming weeks and months to be largely dependent on the direction of COVID as it is seen as the dominant driver in the oil market.

### GOLD

#### GOLD STEADIES AS SOFT U.S. JOBS DATA OFFSETS TRUMP STIMULUS THREAT

- Gold prices steadied on Thursday (24/12/2020) even though it declined week on week as investors balanced elevated U.S. jobless claims that undermined a nascent economic recovery with U.S. President Donald Trump's threat to veto a long-awaited stimulus bill.
- In a video posted to social media on Tuesday (22/12/2020) evening, Trump demanded lawmakers change the coronavirus aid part of the spending bill to include \$2,000 payments to each American, more than triple the \$600 per person provided.
- Data on Wednesday (23/12/2020) showed the number of Americans filing first-time claims for unemployment benefits unexpectedly fell last week, though remained elevated weighed on gold price.
- Gold has gained more than 23% this year, largely driven by its appeal as a hedge against inflation and currency debase-ment in the wake of unprecedented stimulus measures unveiled to mitigate the impact of the pandemic.
- We therefore expect gold price to remain stable as Britain and the European Union appeared close to clinching a long-elusive trade agreement.

### COCOA

#### COCOA PRICES GAIN AS A WEAK DOLLAR SPURS SHORT-COVERING IN COCOA FUTURES

- Cocoa prices on Thursday (24/12/2020) settled mixed with NY cocoa at a 1-week high. NY cocoa rose to a 1-week high after dollar weakness on Thursday (24/12/2020) sparked some light short-covering in cocoa futures. London cocoa closed lower on strength in GBP/USD, which rose to a 1-week high on Thursday. The stronger pound is negative for London cocoa futures, which are priced in terms of sterling.
- A supportive factor for cocoa is concern about dry conditions in the cocoa-growing regions of West Africa. Weather forecasts have turned drier for West Africa as the seasonal Harmattan winds have arrived. The cocoa fields need additional rain as the dusty Harmattan winds dry out the cocoa crops.
- Also, Cocoa prices soared on the news that Hershey, one of the top chocolate makers in the world, bought cocoa beans via ICE NY cocoa futures inventories instead of purchasing them directly in the physical market.
- This week, we expect the price of Cocoa to come under minimal pressure on expected abundant cocoa supplies from the Ivory Coast, the world's largest cocoa producer.

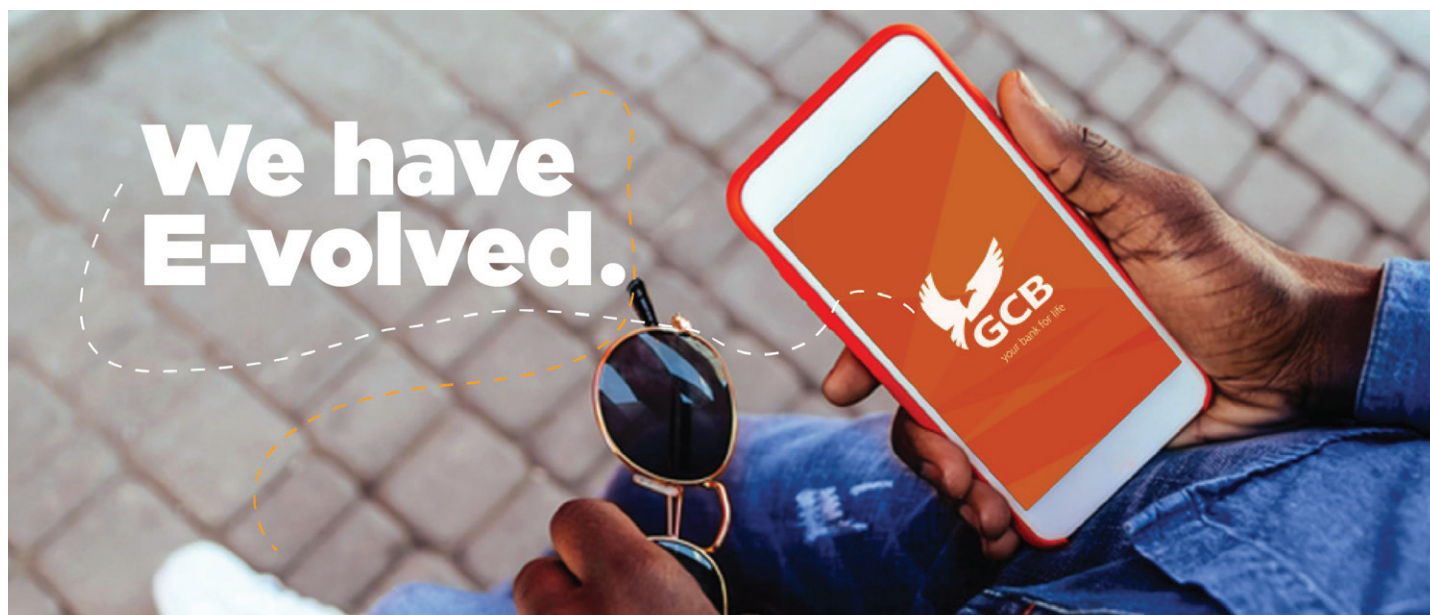
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,882.80	1,883.20	1,888.90	(0.30)
Cocoa ICCO	USD/ton	2,377.20	2,385.85	2,353.03	1.39
WTI Crude	USD/bbl	49.10	48.23	49.10	(1.77)
Brent Crude	USD/bbl	50.91	51.29	52.26	(1.86)
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,883.20	1,870.30	23.64	25.15
Cocoa ICCO	2,385.85	2,356.05	(2.91)	1.30
WTI Crude Oil	49.10	47.02	(21.01)	(21.08)
Brent Crude	51.29	50.08	(22.29)	(23.68)
Source: Bloomberg; International Cocoa Organization				



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