

# Commodity Market Update

Date Issued | 19th April, 2021

## COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities appreciated in price.

- Gold price increased by 2.03% to \$1,780.20 compared to the previous week's price of \$1,744.80.

- WTI and Brent Crude advanced by 6.42% and 6.07% at \$63.13 and \$66.77 respectively to close the trading week.

- Cocoa price also gained 3.25% at \$2,379.56 to close the week compared to its price of \$2,304.74 in the previous week.

- On a year-to-date basis, gold and cocoa went down in price by 6.06% and 1.85% respectively. However, WTI and Brent crude oil was up by 30.11% and 28.90% correspondingly.

- Year-on year, gold and cocoa rose by 2.80% and 8.05% respectively While WTI and Brent crude oil also improved by 217.72% and 140.01% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL EDGES UP TO FRESH 4-WEEK HIGHS AS DEMAND OUTLOOK IMPROVES

- Oil prices edged up to fresh four-week highs on Friday (16/04/2021) on positive U.S. economic data and higher demand forecasts from the International Energy Agency (IEA) and OPEC as countries start to recover from the COVID-19 pandemic.

- U.S. retail sales rebounded more than expected in March as Americans received additional pandemic relief checks and as COVID-19 vaccinations allowed broader economic re-engagement.

- Also, the dollar was on track to fall to a four-week low against a basket of currencies. A weaker dollar makes oil cheaper for holders of other currencies, which traders said helps support crude prices.

- Also supporting prices was the revision of the IEA and the Organization of the Petroleum Exporting Countries upward revisions to their global oil demand growth forecasts for 2021 to 5.7 million barrels per day (bpd) and 5.95 million bpd respectively.

- We therefore expect oil prices to remain upbeat this week on supply discipline and rebounding global economies which are set to give oil a chance to break out of the recent range.

### GOLD

#### GOLD FIRMS NEAR 7-WEEK HIGH ON WEAKER DOLLAR, LOWER YIELDS

- Gold prices scaled a more than seven-week peak on Friday (16/04/2021) as a softer dollar and lower U.S. Treasury yields lifted the yellow metal's appeal even as the appetite for riskier assets remained strong.

- The dollar eased against its rivals, while benchmark U.S. bond yields hovered near a one-month low hit in the previous week.

- Gold's gains came despite U.S. data showing robust retail sales and a significant drop in weekly jobless claims, as well as record economic growth in China in the first quarter.

- The markets are trusting the Federal Reserve to keep interest rates lower for longer, so even if inflation does jump above 2% for a few weeks or months, central bank tapering is still a bit farther. Easy monetary policy tends to weigh on government bond yields, increasing the appeal of gold.

- In the week ahead, our expectation is for gold to maintain its momentum as the combination of a weaker U.S. dollar and easing interest rates is supportive for gold, despite better economic outlook.

### COCOA

#### COCOA PRICE CLOSED MODERATELY HIGHER AS THE DOLLAR TUMBLES

- Cocoa prices ended moderately higher as a decline in the dollar index to a 1-1/2 month low boosts the prices of most commodities priced in dollars. Gains in cocoa prices were contained by concern that record new global Covid infections will prompt countries to tighten restrictions that could reduce economic growth and demand.

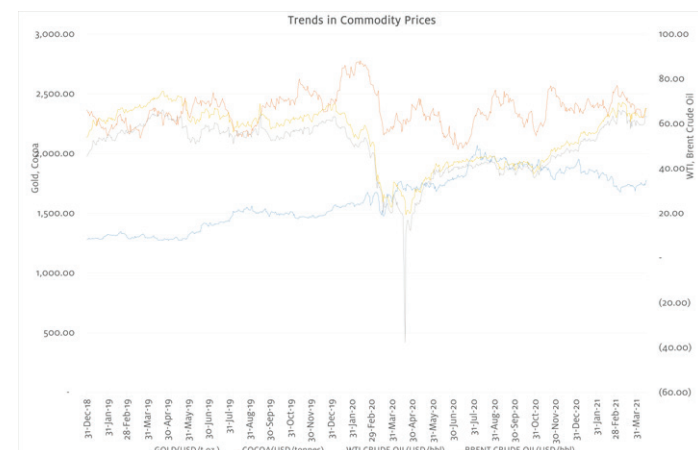
- A supportive factor for cocoa was Citigroup's action to cut its global 2020/21 cocoa surplus estimate to +150,000 MT from a prior estimate of +275,000 MT.

- Cocoa supplies are ample from the Ivory Coast, the world's largest cocoa producer. The Ivory Coast government reported that cumulative cocoa bean deliveries to Ivory Coast ports during Oct 1-Apr 4 were unchanged y/y at 1.78 MMT. Also, current inventories are abundant after ICE-monitored cocoa inventories climbed to a 2-3/4 year high on Friday.

- We therefore expect the price of cocoa to trade sideways due to the outlook for ample cocoa supplies which can widen the global 2020/21 cocoa surplus to +190,000 MT from +8,000 MT in 2019/20 - bearish for cocoa prices. Marex Spectron also projects global 2020/21 cocoa production will increase +5.4% y/y to 4.9 MMT due to a bumper crop in the Ivory Coast.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,732.70	1,780.20	1,744.80	2.03
Cocoa ICCO	USD/ton	2,300.98	2,379.56	2,304.74	3.25
WTI Crude	USD/bbl	59.7	63.13	59.32	6.42
Brent Crude	USD/bbl	63.28	66.77	62.95	6.07
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,780.20	1,732.70	(6.06)	2.80
Cocoa ICCO	2,379.56	2,300.98	(1.85)	8.05
WTI Crude Oil	63.46	59.70	30.11	217.72
Brent Crude	66.94	63.28	28.90	140.01
Source: Bloomberg; International Cocoa Organization				



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Road Myth

**“My senses  
are ~~sharper~~  
when drunk.”**

*Debunking Myths 101*

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