

Commodity Market Update

Date Issued | 5th May, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of gold and cocoa decreased whereas WTI and Brent Crude improved in price.
- Gold price dropped by 0.57% to \$1,767.70 compared to the previous week's price of \$1,777.80.
- WTI and Brent Crude on the other hand advanced by 2.32% and 1.72% at \$63.58 and \$67.25 respectively to close the trading week.
- Cocoa price also declined by 0.24% at \$2,382.00 to close the week compared to its price of \$2,387.80 in the previous week.
- On a year-to-date basis, gold and cocoa dipped in price by 6.73% and 1.75% respectively. On the contrary, WTI and Brent crude oil inched up by 31.04% and 29.83% respectively.
- Year-on year, gold gained 4.34% while cocoa lost 1.33%. Also, WTI and Brent crude oil appreciated by 237.47% and 166.13% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL RISES OVER 1% AS DEMAND HOPES BOLSTER SENTIMENT

- Oil rose more than 1% on Friday (30/04/2021) as Chinese economic figures and U.S. vaccination rates pointed to a strong rebound in demand in the world's two largest economies.

- Investors remain wary, however, over record-breaking infection rates in India, the third-largest fuel importer worldwide, along with higher OPEC+ oil supply.

- Brent crude rose 1.72%, to settle at \$67.25 a barrel. U.S. West Texas Intermediate rose 2.32%, to settle at \$63.58 a barrel.

- Still, parts of the world such as India are seeing rising coronavirus cases. India reported more than 300,000 new coronavirus cases. The new wave of the virus has already led to a drop in fuel sales in April.

- However, OPEC+ decided last week to stick to a plan to boost supply slightly from May 1 and OPEC's production climbed in April, led by a boost from Iran.

- We therefore expect oil prices to remain stable this week as the United States and China, the world's top two oil consumers, are expected to drive a recovery in demand on the back of easing restrictions from improving coronavirus pandemic.

GOLD

GOLD EDGES LOWER AS FIRMER U.S. YIELDS PINCH APPEAL

- Gold prices dipped on Friday (30/05/2021), its worst week in a month, as U.S. Treasury yields gained on strong economic data and dented the non-yielding metal's appeal.

- Data showed that U.S. economic growth accelerated in the first quarter as fiscal stimulus fuelled consumer spending. This string of consecutively strong U.S. economic data is weighing on gold.

- Also, Benchmark U.S. 10-year Treasury yields hovered near their highest in more than two weeks, increasing the opportunity cost of holding non-yielding bullion.

- The U.S. central bank wants to keep monetary policy loose for the foreseeable future, but the economic recovery gaining pace has fanned speculations of a pullback in support sooner than expected.

- We therefore expect gold price to remain under minimal pressure in the coming week as a possible rebound in the dollar could further dent the metal's safe-haven appeal, while investors speculate a swifter than expected U.S. economic recovery might prompt an interest rate hike.

COCOA

NY COCOA CLOSES AT A 5-1/2 MONTH LOW ON ROBUST COCOA SUPPLIES FROM THE IVORY COAST

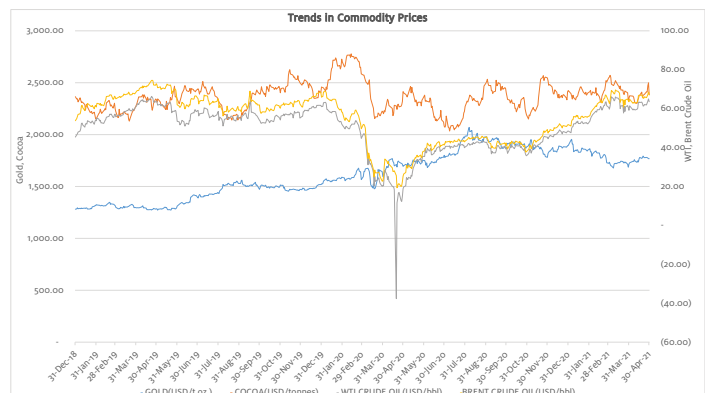
- NY cocoa on Friday (30/04/2021) tumbled to a 5-1/2-month low on ample cocoa supplies. Cocoa supplies are abundant from the Ivory Coast, the world's largest cocoa producer. The Ivory Coast government reported that cumulative cocoa bean deliveries to Ivory Coast ports during Oct 1-May 2 were up +6.9% y/y at 2.02 MMT. Also, current inventories are abundant after ICE-monitored cocoa inventories climbed to a 2-3/4 year high.

- The ongoing global pandemic is raising uncertainty about cocoa demand. Global demand is mixed for cocoa prices after the National Confectioners Association reported that Q1 North American cocoa processing rose +2.0% y/y to 117,956 MT, below expectations of +2.5% y/y.

- Looking ahead, we expect Cocoa prices to remain under pressure as the outlook for bumper cocoa crops in West Africa has undercut cocoa prices and sparked fund selling in cocoa futures. Cocoa farmers in the Ivory Coast and Ghana are reporting favorable growing conditions that bode well for the mid-crop harvest that just began.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,780.10	1,767.70	1,777.80	(0.57)
Cocoa ICCO	USD/ton	2,412.04	2,382.00	2,387.80	(0.24)
WTI Crude	USD/bbl	61.91	63.58	62.14	2.32
Brent Crude	USD/bbl	65.65	67.25	66.11	1.72
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,780.10	1,767.70	(6.73)	4.34
Cocoa ICCO	2,499.00	2,382.00	(1.75)	(1.33)
WTI Crude Oil	65.01	61.91	31.04	237.47
Brent Crude	68.56	65.65	29.83	166.13
Source: Bloomberg; International Cocoa Organization				



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

Debunking Myths 101

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