

Commodity Market Update

Date Issued | 17th May, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities appreciated in price just like the previous week.
- Gold price increased by 0.37% to \$1,838.10 compared to the previous week's price of \$1,831.30.
- WTI and Brent Crude gained 0.72% and 0.63% at \$65.37 and \$68.71 respectively to close the trading week.
- Cocoa price similarly inched up by 2.00% at \$2,456.34 to close the week compared to its price of \$2,408.20 in the previous week.
- On a year-to-date basis, gold depreciated by 3.01% whereas cocoa advanced in price by 1.31%. Also, WTI and Brent crude oil saw an increase in price by 34.73% and 32.64% respectively.
- Year-on year, gold and cocoa improved by 5.58% and 1.80% respectively. Equally, WTI and Brent crude oil went up by 137.19% and 120.72% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL PRICES JUMP AS MAJOR U.S. FUEL PIPELINE RESTARTS BUT COVID CONCERNS CAP GAINS

- Oil prices rose on Friday (14/05/2021), as stock markets strengthened and the U.S. dollar slipped, though gains were capped by the coronavirus situation in major oil consumer India.
- Global equities rose and the dollar slipped on Friday after U.S. Federal Reserve officials said there would be no imminent move to tighten monetary policy in the world's biggest economy.
- As oil is priced in dollars, a weaker greenback makes the commodity cheaper for holders of other currencies, potentially spurring demand.
- India reported 343,144 new coronavirus cases, taking its overall tally past the 24 million mark, while deaths from COVID-19 rose by 4,000.
- Also, U.S. President Joe Biden reassured motorists that fuel supplies should start returning to normal, even as more filling stations ran out of gasoline across the Southeast nearly a week after a cyber-attack forced a shutdown at the nation's main fuel pipeline.

- We however expect oil prices to come under minimal pressure this week from surging coronavirus cases in India as well as worries that the highly transmissible variant first detected there is spreading to other countries.

GOLD

GOLD RISES AS WEAK U.S. RETAIL SALES HURT DOLLAR, TREASURY YIELDS

- Gold extended its gains on Friday, buoyed by a dip in the dollar and U.S. Treasury yields after data showed U.S. retail sales unexpectedly stalled in April.
- The yield on benchmark 10-year U.S. Treasury notes fell, bolstering the appeal of non-yielding gold. The dollar index shed 0.4%, making bullion cheaper for those holding other currencies.
- Also, other key U.S. economic readings last week showed a bigger-than-expected rise in consumer prices and a drop in weekly jobless claims to a 14-month low, intensifying concerns over rising inflation and prospects of higher interest rates.
- Federal Reserve officials have maintained they expect any rise in inflation to be short-lived, while pledging to keep rates low until the economy reaches full employment.
- We therefore expect gold price to remain relatively stable this week. The decision of the Fed not to increase interest rate in the near future in spite of rising inflation expectations is likely to support the price of gold.

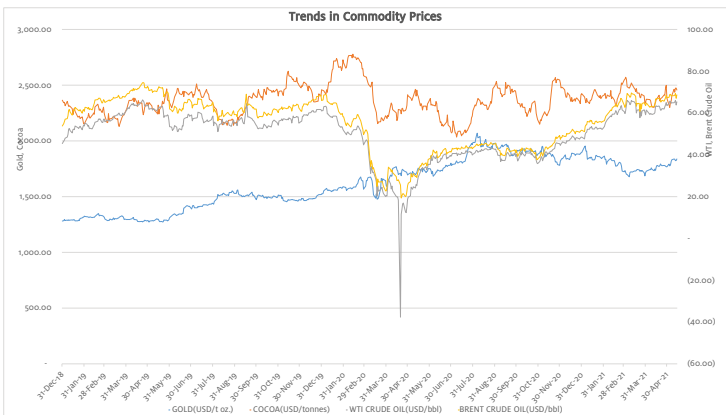
COCOA

COCOA PRICES CLIMB TO 1-3/4 MONTH HIGHS AS POWER OUTAGES IN THE IVORY COAST MAY CURB COCOA GRINDINGS

- Cocoa prices on Friday (14/05/2021) climbed to 1-3/4 month highs on concern that cocoa supplies may fall due to power shortages in the Ivory Coast. Compagnie Ivoirienne d'Electricite, the Ivory Coast state power provider, said that it will begin rationing electricity after a drought cut hydro-power output and that it will supply power for only 12 hours every two days for at least the next two months.
- The disruption will force Ivory Coast cocoa grinders to run capacity at 50% or less, which could cut grindings by -41% to 25,000 MT in May, according to several Ivory Coast cocoa processors.
- Also, 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.
- We however expect cocoa prices to trade sideways in the coming week due to the uncertainty surrounding Global cocoa demand. This is due to the fact that news on May 7, 2021 from Gepex, a cocoa exporter group that includes six of the world's biggest cocoa grinders, showed April cocoa processing was down -7.3% y/y to 42,267 MT.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,837.60	1,838.10	1,831.30	0.37
Cocoa ICCO	USD/ton	2,462.71	2,456.34	2,408.20	2.00
WTI Crude	USD/bbl	64.92	65.37	64.90	0.72
Brent Crude	USD/bbl	68.32	68.71	68.28	0.63
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,838.10	1,822.80	(3.01)	5.58
Cocoa ICCO	2,474.28	2,436.79	1.31	1.80
WTI Crude Oil	66.08	63.82	34.73	137.19
Brent Crude	69.32	67.05	32.64	120.72
Source: Bloomberg; International Cocoa Organization				



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Road Myth

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

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