

Commodity Market Update

Date Issued | 24th May, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities decreased in price with the exception of Gold price.
- Gold price improved by 2.22% to \$1,878.90 compared to the previous week's price of \$1,838.10.
- WTI and Brent Crude declined by 2.74% and 3.30% at \$63.58 and \$66.44 respectively to close the trading week.
- Cocoa price also edged lower by 0.01% at \$2,456.00 to close the week compared to its price of \$2,456.34 in the previous week.
- On a year-to-date basis, gold dropped by 0.85% whereas cocoa was up in price by 1.31%. As well, WTI and Brent crude oil also appreciated in price by 31.04% and 28.26% respectively.
- Year-on year, gold and cocoa gained 9.12% and 4.96% respectively. In the same way, WTI and Brent crude oil advanced by 87.44% and 84.25% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL FALLS 2% ON POSSIBLE RETURN OF IRANIAN SUPPLY

- Oil prices fell more than 2% on Friday (21/05/2021), after diplomats said progress was made toward a deal to lift U.S. sanctions on Iran, which could boost crude supply.

- Brent crude fell 3.3%, to settle at \$66.44 a barrel. West Texas Intermediate crude ended 2.74%, lower at \$63.58 a barrel. Both contracts fell around 3%.

- Iranian President Hassan Rouhani said in a televised speech that sanctions on oil, shipping, petrochemicals, insurance and the central bank had been dealt with in the talks. That really weighed on sentiment and that pushed oil down a little bit.

- But European diplomats said success was not guaranteed and very difficult issues remained, while a senior Iranian official contradicted the president.

- Concerns about the demand outlook in Asia also dragged prices down. Almost two-thirds of people tested in India show exposure to the coronavirus.

- With global oil demand growth projected to be healthy to ensure a balance of supply this year and in 2022, the (OPEC+) producer group is in a relatively comfortable position to deal with increasing Iranian output without undermining the oil rebalancing.

- We expect oil prices to rebound this week as speculation that the U.S. Federal Reserve might at some point start to tighten policy may weigh on the outlook for economic growth and has prompted some investors to reduce exposure to oil and other commodities.

GOLD

GOLD SET FOR THIRD WEEKLY GAIN ON TEPID DOLLAR, INFLATION WORRIES

- Gold edged up on Friday (21/05/2021) to a third straight weekly gain, supported by a subdued U.S. dollar and Treasury yields as concern receded over tapering by the U.S. Federal Reserve.

- Gold has steadied after minutes from the Fed's April meeting mentioned possible future discussions on paring stimulus, prompting speculation over potential increases to interest rates.

- Overall, investors are not too worried about (monetary) tightening at the moment. And we've seen the U.S. bond yields come down a little bit and that has allowed gold to remain near recent highs.

- Hence we expect gold price to remain fairly steady this week as the fundamentals that support owning gold have not changed and wouldn't change for some time, in particular, the low-interest rates environment.

COCOA

COCOA PRICES CLOSE AT 1-1/2 WEEK LOWS ON RAIN FORECAST FOR IVORY COAST

- Cocoa prices on Friday (21/05/2021) moved lower for the third day and posted 1-1/2 week lows. Improved prospects for the Ivory Coast mid-crop weighed on cocoa prices as beneficial rain is forecast for the Ivory Coast over the next week.

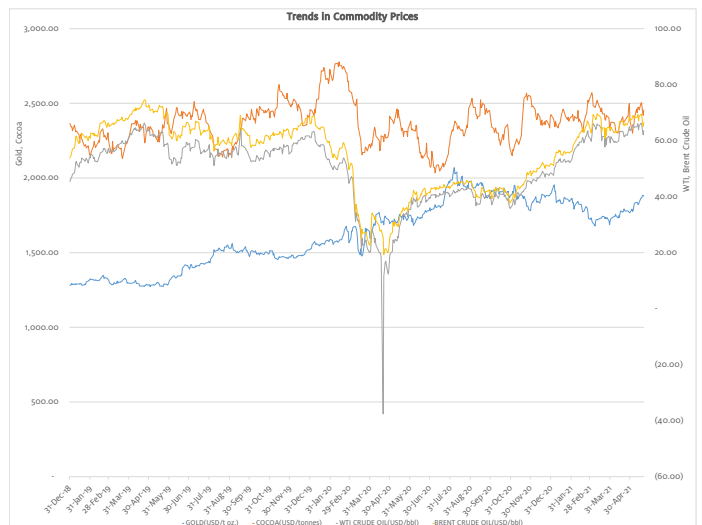
- Current cocoa supplies remain abundant after ICE-monitored cocoa inventories climbed to a 3-3/4 year high. Cocoa prices have been in a recent slump due to ample supplies and tepid demand. Cocoa prices on May 4 fell to 6-1/2 month lows on abundant cocoa supplies from the Ivory Coast, the world's largest cocoa producer.

- 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 expect cocoa prices to trade sideways in this week due to the outlook for bumper cocoa crops in West Africa undercutting cocoa prices, sparking fund selling in cocoa futures.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,867.60	1,878.90	1,838.10	2.22
Cocoa ICCO	USD/ton	2,504.44	2,456.00	2,456.34	(0.01)
WTI Crude	USD/bbl	66.27	63.58	65.37	(2.74)
Brent Crude	USD/bbl	69.46	66.44	68.71	(3.30)
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,883.90	1,867.60	(0.85)	9.12
Cocoa ICCO	2,504.44	2,419.25	1.31	4.96
WTI Crude Oil	66.27	62.05	31.04	87.44
Brent Crude	69.46	65.11	28.26	84.25
Source: Bloomberg; International Cocoa Organization				



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