

Commodity Market Update

Date Issued | 7th June, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of gold and cocoa depreciated in price while WTI and Brent Crude appreciate in price to end the week.
- Gold price weakened by 0.70% to \$1,892.00 compared to the previous week's price of \$1,905.30.
- WTI and Brent Crude on the contrary inched up by 4.98% and 3.25% at \$69.62 and \$71.89 respectively to close the trading week.
- Cocoa price plunged by 0.29% at \$2,385.64 to close the week compared to its price of \$2,392.69 in the previous week.
- On a year-to-date basis, gold and cocoa was down by 0.16% and 1.60% respectively. On the other hand, WTI and Brent crude oil, both edged up in price by 43.49% and 38.78% respectively.
- Year-on year, gold and cocoa went up in price by 9.47% and 2.30% respectively. Also, WTI and Brent crude oil gained 106.53% and 103.71% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL HITS TWO-YEAR HIGH ON OPEC+ DISCIPLINE, DEMAND HOPES

- Oil extended gains on Friday (04/06/2021), with Brent topping \$71.89 a barrel for the first time since 2019, as OPEC+ supply discipline and recovering demand countered concerns about a patchy COVID-19 vaccination rollout around the globe.

- Oil extended gains after U.S. figures showed nonfarm payrolls increased by 559,000 jobs last month. Brent crude rose 58 cents, or 0.8%, to settle at \$71.89 a barrel, after touching its highest since May 2019. U.S. West Texas Intermediate crude rose 81 cents, or 1.2%, to settle at \$69.62.

- Oil prices drifted higher after U.S. energy firms last week cut the number of oil and natural gas rigs operating, for the first time in six weeks, data from energy services firm Baker Hughes showed.

- Also boosting oil last week was a slowdown in talks between the United States and Iran over Tehran's nuclear programme, which reduced expectations of a return of Iranian oil supply.

- Meanwhile, U.S. crude output is likely to grow more slowly than expected as shale producers have added only a limited number of extra rigs to boost production, opting to push for higher prices and profits instead.

- We therefore expect oil prices to remain stable this week as rising demand and the fast pace of vaccinations in countries such as the United States have boosted high growth in demand in oil markets.

GOLD

GOLD PRICES DIP AS FIRMER U.S. DOLLAR ECLIPSES LOWER YIELDS

- Gold prices dipped on Friday (04/06/2021), as an uptick in the dollar dimmed the appeal of the safe-haven metal, although a pullback in U.S. Treasury yields and prospects of a prolonged accommodative interest rate environment limited losses.

- The dollar index strengthened 0.1% against its rivals, making gold more expensive for holders of other currencies.

- Meanwhile, a weaker-than-expected U.S. monthly jobs report calmed investor fears about the Federal Reserve reining in monetary stimulus soon.

- Investors focus has now shifted to U.S. consumer price report and European Central Bank policy meeting due later this week. Some investors view gold as a hedge against higher inflation that could follow stimulus measures.

- We therefore expect gold price to rebound this week as investors await key inflation readings that could offer clues on the Federal Reserve's monetary policy going forward.

COCOA

COCOA PRICES SETTLE MIXED AS ABUNDANT GLOBAL COCOA SUPPLIES WEIGH ON PRICES.

- Cocoa prices on Friday settled mixed. Abundant global cocoa supplies and demand concerns weighed on cocoa prices. The International Cocoa Organization (ICCO) raised its global 2020/21 cocoa production estimate to a record 5.02 MMT, up +6.3% y/y. ICCO also raised its global 2020/21 cocoa surplus estimate to 165,000 MT from a Feb forecast of +102,000 MT.

- London cocoa on Friday recovered from a 4-week low and closed slightly higher after GBP/USD fell to a fresh 2-week low. Cocoa priced in sterling benefits from weakness in the British pound.

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

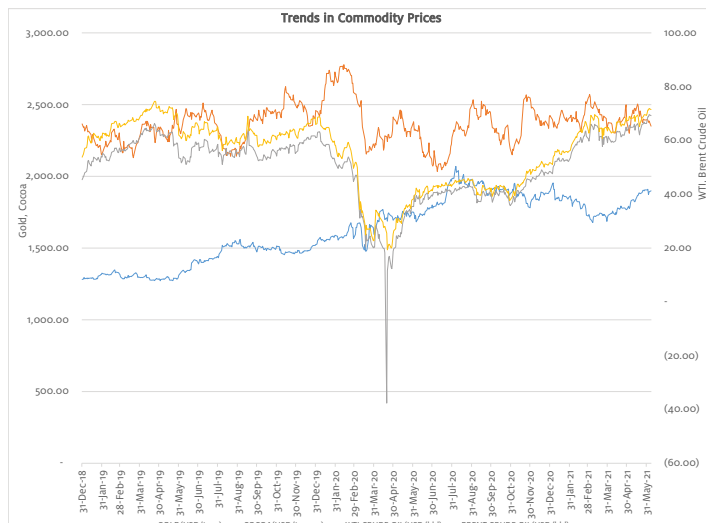
- In the week ahead, we expect cocoa price to remain pressured due to the outlook for a bumper cocoa crops in West Africa.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,905.30	1,892.00	1,905.30	(0.70)
Cocoa ICCO	USD/ton	2,392.69	2,385.64	2,392.69	(0.29)
WTI Crude	USD/bbl	66.32	69.62	66.32	4.98
Brent Crude	USD/bbl	69.32	71.89	69.63	3.25

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,909.90	1,873.30	(0.16)	9.47
Cocoa ICCO	2,396.57	2,376.69	(1.60)	2.30
WTI Crude Oil	69.62	66.32	43.49	106.53
Brent Crude	71.89	69.32	38.78	103.71

Source: Bloomberg; International Cocoa Organization



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