

Commodity Market Update

Date Issued | 14th June, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of gold and cocoa went down while WTI and Brent Crude improved in price.

- Gold price saw a decrease of 0.66% to close the week at \$1,879.60 compared to the previous week's price of \$1,892.00.

- WTI and Brent Crude on the other hand edged up by 1.85% and 1.11% at \$70.91 and \$72.69 respectively to close the trading week.

- Cocoa price decreased by 1.47% at \$2,350.64 to close the week compared to its price of \$2,385.64 in the previous week.

- On a year-to-date basis, gold and cocoa depreciated by 0.82% and 3.04% respectively. Whereas WTI and Brent crude oil appreciated in price by 46.15% and 40.33% respectively.

- Year-on year, gold and cocoa advanced in price by 8.04% and 3.97% respectively. Similarly, WTI and Brent crude oil inched up by 95.13% and 88.56% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL HITS MULTI-YEAR HIGHS IN THIRD WEEKLY GAIN ON DEMAND RECOVERY

- Oil prices reached fresh multi-year highs on Friday (11/06/2021), closing out a third straight week of gains on an improved outlook for worldwide demand as rising COVID-19 vaccination rates help lift pandemic curbs.

- Brent crude futures settled at \$72.69 a barrel, rising 17 cents after reaching their highest since May 2019. For the week, Brent was up 1%. U.S. West Texas Intermediate (WTI) crude futures settled at \$70.91 a barrel, up 62 cents (1.9%), their highest since October 2018.

- Also, the rollout of the vaccine in North America as well as Europe is helping to restore demand at the same time that OPEC+ has reigned in production, propelling oil prices.

- The International Energy Agency (IEA) said in its monthly report that the Organization of the Petroleum Exporting Countries and allies, known as OPEC+, would need to boost output to meet demand which is set to recover to pre-pandemic levels by the end of 2022.

- We therefore expect oil prices to continue edging up on the back of a faster rising demand over supply.

GOLD

GOLD SLIPS AS DOLLAR STRENGTHENS ON 'TRANSITORY' INFLATION VIEW

- Gold prices slipped on Friday (11/06/2021), hurt by a strengthening dollar as some investors bet that recent spikes in U.S. consumer prices are temporary. The dollar index gained, dimming gold's appeal to investors holding other currencies.

- Also, the price of gold was weighed down in the week under review after U.S. non-farm payrolls and CPI data suggested the gradual disappearance of inflation hedging flows.

- Data showed U.S. consumer prices rose sharply in May, but analysts say the spike is likely transitory and therefore fears over the Federal Reserve policy tightening have ebbed forcing dealers to offer discounts to lure customers last week.

- We therefore expect gold price to remain under pressure as investors await the outcome of the U.S. Federal Reserve policy meeting due this week with recent spikes in consumer prices seen as a temporary blip.

COCOA

COCOA PRICES CLOSE LOWER ON CONTINUED CONCERN ABOUT ABUNDANT GLOBAL COCOA SUPPLIES

- NY cocoa prices on Friday (11/06/2021) closed sharply lower on continued concern about abundant global cocoa supplies. The Ivory Coast government reported that cumulative cocoa bean deliveries to Ivory Coast ports during Oct 1-June 6 were up +8.3% y/y at 2.21 MMT. Also, the International Cocoa Organization (ICCO) raised its global 2020/21 cocoa production estimate to a record 5.02 MMT, up +6.3% y/y.

- Current cocoa supplies are abundant after ICE-monitored cocoa inventories climbed to a 3-3/4 year high. There are also doubts about demand after Gepex, a cocoa exporter group that includes six of the world's biggest cocoa grinders, reported on May 7 that April cocoa processing fell -7.3% y/y to 42,267 MT.

- Also, recent global demand for cocoa has been mixed. 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. Also, the European Cocoa Association reported European Q1 cocoa processing fell -3% y/y to a 4-year low of 357,815 MT, a larger decline than expectations of -2% y/y.

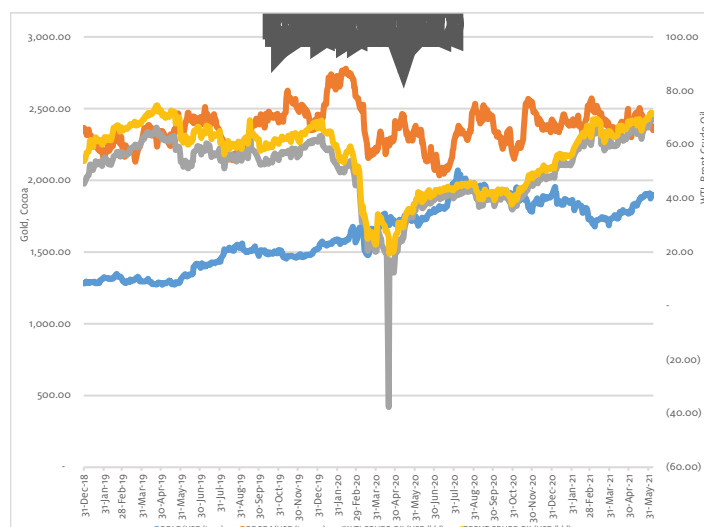
- In the week ahead, we expect cocoa price to trade sideways on continued concern about abundant global cocoa supplies.

| 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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