

Commodity Market Update

Date Issued | 21st June, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities edged up in price with the exception of Gold price.

- Gold price depreciated by 5.88% to close the week at \$1,769.00 compared to the previous week's price of \$1,879.60.

- WTI and Brent Crude on the contrary increased in price by 1.03% and 1.13% at \$71.64 and \$73.51 respectively to close the trading week.

- Cocoa price also advanced by 0.16% at \$2,354.33 to close the week compared to its price of \$2,350.64 in the previous week.

- On a year-to-date basis, gold and cocoa fell by 6.65% and 2.89% respectively. On the other hand, WTI and Brent crude oil was up in price by 47.65% and 41.91% respectively.

- Year-on-year, gold and cocoa went up in price by 2.19% and 9.48% respectively. Likewise, WTI and Brent crude oil also edged up by 84.45% and 77.09% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL PRICES FIRM ON SUMMER DEMAND AS IRAN TALKS DRAG

- Oil prices rose on Friday (18/06/2021), underpinned by strong demand during the northern hemisphere summer driving season and a pause in talks to revive the Iran nuclear deal that could lead to a resumption of crude supplies from the OPEC producer.

- Both benchmarks have risen for the past four weeks on optimism over the pace of global COVID-19 vaccinations and expected pick-up in summer travel. The rebound has pushed up spot premiums for crude in Asia and Europe to multi-month highs.

- Oil prices are also drawing support from forecasts of limited growth in U.S. oil output, giving the Organization of the Petroleum Exporting Countries (OPEC) more power to manage the market in the short term before a potentially strong rise in shale oil output in 2022.

- Oil markets are rallying because OPEC is skeptical that the increase in U.S. oil production is going to be enough to change their plans to support prices.

- We therefore expect oil prices to remain fairly elevated as the producer group expect limited U.S. oil output growth this year despite rising prices.

GOLD

GOLD HEADS FOR WORST WEEK IN OVER A YEAR AFTER FED BLOW

- Gold struggled for traction on Friday (18/06/2021) posting its worst weekly performance since March 2020 as the dollar extended its rally on the back of the U.S. Federal Reserve's hawkish outlook.

- Bullion was further hurt by St. Louis Fed President James Bullard's statement that inflation was stronger than anticipated and faster tightening of monetary policy was a natural response to it.

- The Fed said it would consider whether to taper its asset purchases in every subsequent meeting and brought forward projections for interest rate hikes into 2023, this triggered the drop in gold price.

- Despite the current high-growth, inflationary environment, the proposed Fed rate hikes are not expected to set in for at least another 18 months.

- We however expect gold price to fall further in the week ahead as the dollar index is expected to continue its gains after the Federal Reserve revised upwards inflation forecasts for this year noting that it expects two rate hikes by the end of 2023.

COCOA

COCOA PRICES SETTLE MODERATELY HIGHER ON GLOBAL COCOA DEMAND OPTIMISM.

- Cocoa prices on Monday settled moderately higher with underlying support from the improved pandemic statistics and hopes for stronger cocoa demand in the latter half of this year.

- Germany's Koch Institute health agency said Covid deaths in Germany dropped to 18, the fewest in 8 months. The 7-day average of new U.S. Covid infections on Friday fell to a 14-1/2-month low of 13,530.

- Cocoa prices have recently seen weakness due to concern about abundant global cocoa supplies. The Ivory Coast government on Monday reported that cumulative cocoa bean deliveries to Ivory Coast ports during Oct 1-June 13 were up +8.7% y/y at 2.25 MMT.

- Also, the International Cocoa Organization (ICCO) on May 31 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.

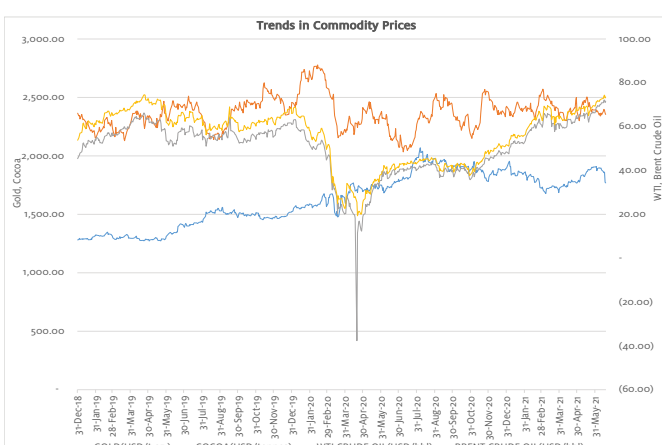
- In the week ahead, we expect cocoa price to continue trading sideways on the outlook for a bumper cocoa supply.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,865.90	1,769.00	1,879.60	(5.88)
Cocoa ICCO	USD/ton	2,380.54	2,354.33	2,350.64	0.16
WTI Crude	USD/bbl	70.88	71.64	70.91	1.03
Brent Crude	USD/bbl	72.86	73.51	72.69	1.13

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,865.90	1,769.00	(6.65)	2.19
Cocoa ICCO	2,398.39	2,354.33	(2.89)	9.48
WTI Crude Oil	72.15	70.88	47.65	84.45
Brent Crude	74.39	72.86	41.91	77.09

Source: Bloomberg; International Cocoa Organization



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