

Commodity Market Update

Date Issued | 5th July, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of Gold and WTI Crude increased in price whereas Cocoa and Brent Crude declined in price.

- Gold price inched up by 0.31% to end the week at \$1,783.30 compared to the previous week's price of \$1,777.80.

- WTI Crude advanced in price by 1.50% at \$75.16 and Brent Crude edged lower in price by 0.01% at \$76.17 to close the trading week.

- Cocoa price also dipped by 1.50% at \$2,316.82 to close the week compared to its price of \$2,351.99 in the previous week.

- On a year-to-date basis, gold and cocoa went down by 5.90% and 4.44% respectively. On the other hand, WTI and Brent crude oil was up in price by 54.91% and 47.05% respectively.

- Year-on-year, gold fell by 0.37% and cocoa rose in price by 11.18%. Also, WTI and Brent crude oil gained 84.90% and 76.56% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL STEADY, TRADERS ON SIDELINES AS OPEC+ TALKS DRAG ON

- Oil prices steadied on Friday (02/07/2021) after OPEC+ ministers resumed talks on raising oil output after the United Arab Emirates blocked a deal, which could delay plans to pump more oil through the end of the year.

- Both benchmark contracts rose after OPEC+ sources said the group aimed to hike output by less than expected, then retreated when UAE opposed the proposals, which also included extending the pact on output to the end of 2022.

- The Organization of the Petroleum Exporting Countries and allies, known as OPEC+, are meeting again after UAE opposed the proposals, saying it wanted its quota to be higher.

- However, WTI was on track for a 1.5% rise for the week, with the U.S. crude market expected to tighten as refinery runs pick up to meet recovering gasoline demand.

- U.S. energy firms added oil and natural gas rigs for a third time in four weeks. The oil and gas rig count, an early indicator of future output, rose by 5 to 475 in the week to July 2, its highest since April 2020.

- Brent was largely steady during the week, as the market assessed fuel demand concerns in parts of Asia where cases of the highly contagious COVID-19 Delta variant are surging.

- We therefore expect oil prices to remain relatively stable this week as OPEC+ will resume talks after failing to reach a deal on oil output policy because the United Arab Emirates blocked some aspects of the pact.

GOLD

GOLD GAINS AS U.S. JOBS DATA FAILS TO BOLSTER EARLY FED TIGHTENING BETS

- Gold rose on Friday (02/07/2021), climbing further from a two-month trough hit, as investors weighed prospects for U.S. Federal Reserve tightening after a strong U.S. jobs report that nevertheless showed a slight uptick in the unemployment rate.

- Also on investors' radar was the Delta coronavirus variant which has prompted some countries in Asia and Europe to walk back on reopening plans.

- These concerns, and lower vaccination rates in some parts of the United States, convinced some investors the Fed will be cautious about hiking interest rates, which supported gold price.

- We expect gold price to remain stable in the week ahead amid a mixed bag of U.S. labour data allay investor concerns about a faster policy tightening, which could help the metal rise towards the \$1,800 level once again.

COCOA

COCOA PRICES CONTINUE TO SEE WEAKNESS AS IVORY COAST ALLOWS HIGHER EXPORT DELIVERIES.

- Cocoa prices on Friday (02/07/2021) continued to see weakness after news that the Ivory Coast's cocoa regulator will allow cocoa exporters to complete deliveries without penalties in Q3 that were delayed from Q2 due to power disruptions.

- Cocoa prices saw support from concern that heavy rain in the Ivory Coast will delay the country's mid-crop cocoa harvest. Forecasts indicate heavy rain last week in the Ivory Coast, which could cause flooding that keeps farmers out of their fields and delays the mid-crop harvest.

- However, Cocoa prices have recently seen weakness due to concern about abundant global cocoa supplies. 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.

- Cocoa prices are also under pressure on concern about the spread of the delta Covid variant around the world, which has forced renewed lockdowns across parts of Asia and Australia and undercuts economic activity and demand for commodities.

- In the week ahead, we expect cocoa price to remain under pressure due to concern about abundant global cocoa supplies.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,780.70	1,783.30	1,777.80	0.31
Cocoa ICCO	USD/ton	2,352.97	2,316.82	2,351.99	(1.50)
WTI Crude	USD/bbl	72.91	75.16	74.05	1.50
Brent Crude	USD/bbl	74.68	76.17	76.18	(0.01)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,783.30	1,763.60	(5.90)	(0.37)
Cocoa ICCO	2,363.34	2,316.82	(4.44)	11.18
WTI Crude Oil	75.23	72.91	54.91	84.90
Brent Crude	76.17	74.68	47.05	76.56

Source: Bloomberg; International Cocoa Organization



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