

Commodity Market Update

Date Issued | 12th July, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of Gold and Cocoa improved in price whereas WTI Crude and Brent Crude edged lower in price.

- Gold price went up by 1.53% to end the week at \$1,810.60 compared to the previous week's price of \$1,783.30.

- WTI and Brent Crude on the other hand weakened in price by 0.80% and 0.81% at \$74.56 and \$75.55 respectively to close the trading week.

- Cocoa price also advanced by 0.43% at \$2,316.82 to close the week compared to its price of \$2,326.82 in the previous week.

- On a year-to-date basis, gold and cocoa fell by 4.46% and 4.02% respectively. On the contrary, WTI and Brent crude oil improved in price by 53.67% and 45.85% respectively.

- Year-on year, gold and cocoa gained 0.38% and 12.79% respectively. As well, WTI and Brent crude oil increased by 88.19% and 78.39% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL PRICES FALL AS ECONOMIC WORRIES OFFSET TIGHTENING SUPPLIES

- Oil prices slipped on Friday (09/07/2021) as concerns about slowing global growth outweighed the prospect of tightening supply after talks among key producers to raise output in coming months stalled.

- Both benchmarks fell about 1% last week but remain close to highs last reached in October 2018.

- The spread of coronavirus variants and unequal access to vaccines threaten the global economic recovery, weighing on the price of oil.

- The Organization of the Petroleum Exporting Countries and their allies, a group known as OPEC+, abandoned talks last week over an output deal, which included pumping more oil from August, after a dispute between Saudi Arabia and the United Arab Emirates about how to extend the pact.

- Although failure to agree means less oil in the short term, the collapse of talks raises the longer term prospect of producers abandoning the deal and pumping at will.

- Also, traders refocused on the spread of the COVID-19 pandemic and global concerns over the new variants' expansion which weighed on prices, despite tightening oil supplies globally.

- We hence expect oil prices to trade sideways this week as the global spread of the Delta coronavirus variant could stall a worldwide economic recovery and thereby dampening global oil demand.

GOLD

GOLD HEADS FOR THIRD WEEKLY GAIN RISE ON LOWER YIELDS AND VIRUS WOES

- Gold edged higher on Friday (09/07/2021) and was set for a third straight weekly gain as concerns over the fast-spreading Delta variant of COVID-19 and a drop in U.S. Treasury yields lifted the safe-haven metal's allure.

- Lower bond yields and concern over the COVID-19 Delta variant's potential impact on global growth helped gold prices rise.

- Gold, a hedge against economic and political uncertainties and also rising inflation, attracted buyers as vaccination shortfalls and highly contagious coronavirus variants prompted fresh restrictions, especially in Southeast Asia.

- A softer dollar also added to bullion's luster by making it cheaper for investors holding other currencies.

- We expect gold price to continue soaring in the week ahead on persisting concerns around COVID-19, with investors awaiting U.S. inflation data due this week and Federal Reserve Chair Jerome Powell's testimony.

COCOA

COCOA PRICES CLOSE MODERATELY HIGHER AS A WEAK DOLLAR SPARKS SHORT COVERING.

- Cocoa prices closed moderately higher as a weaker dollar has sparked short-covering in cocoa futures. NY cocoa prices extended their 7-week slide to a new 8-month low. Demand concerns amid ample supply continue to weigh on cocoa prices. Data from exporter group Gepex, which includes six of the world's largest cocoa processors, showed Gepex June cocoa processing fell -22% y/y to 35,453 MT.

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

- Cocoa prices are under pressure also from the spread of the delta Covid variant worldwide, which has forced renewed lockdowns across parts of Asia and Australia and undercuts economic activity and demand for commodities. Also, the rate of infections in the U.S. has increased after the 7-day average of new U.S. Covid infections rose to a 1-month high of 16,028.

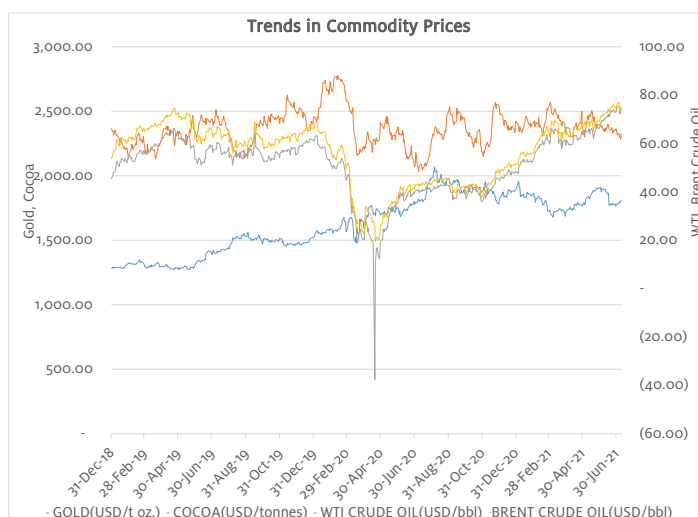
- In the week ahead, we therefore expect cocoa price to trade sideways on demand concerns amid ample cocoa supplies.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,783.30	1,810.60	1,783.30	1.53
Cocoa ICCO	USD/ton	2,326.10	2,326.82	2,316.82	0.43
WTI Crude	USD/bbl	75.16	74.56	75.16	(0.80)
Brent Crude	USD/bbl	77.16	75.55	76.17	(0.81)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,810.60	1,783.30	(4.46)	0.38
Cocoa ICCO	2,326.82	2,281.47	(4.02)	12.79
WTI Crude Oil	75.16	72.20	53.67	88.19
Brent Crude	77.16	73.43	45.85	78.39

Source: Bloomberg; International Cocoa Organization



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