

Commodity Market Update

Date Issued | 19th July, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities edged lower in price with the exception of Gold price.
- Gold price increased by 0.24% to end the week at \$1,815.00 compared to the previous week's price of \$1,810.60.
- WTI and Brent Crude on the contrary declined in price by 3.69% and 2.59% at \$71.81 and \$73.59 respectively to close the trading week.
- Cocoa price also dropped by 1.01% at \$2,303.39 to close the week compared to its price of \$2,316.82 in the previous week.
- On a year-to-date basis, gold and cocoa went down by 4.23% and 4.99% respectively. On the other hand, WTI and Brent crude oil went up in price by 48.00% and 42.07% respectively.
- Year-on year, gold and cocoa inched up by 0.82% and 11.73% respectively. In the same way, WTI and Brent crude oil advanced by 76.22% and 69.68% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL FALLS FOR THE WEEK ON SUPPLY CONCERNS, RISING COVID CASES

- Oil prices were little changed on Friday (16/07/2021) and ended the week lower, sapped in volatile trade by expectations of growing supplies just when a rise in coronavirus cases could lead to lockdown restrictions and depressed demand.

- Brent fell almost 3% for the week, marking a decline for the third week in a row for the first time since April 2020. WTI fell almost 4% this week, which would be its biggest weekly percentage decline since March.

- OPEC+, which groups the Organization of the Petroleum Exporting Countries with Russia and other producers, had earlier failed to agree after the UAE sought a higher baseline for measuring its output cuts.

- OPEC said it expects world oil demand to increase next year to around levels seen before the pandemic, about 100 million bpd, led by demand growth in the United States, China and India.

- But the rise in coronavirus cases related to the highly contagious Delta variant could trigger new lockdowns that would likely reduce recent bullish oil demand forecasts.

- We therefore expect oil prices to trade sideways this week as expectations of more crude hitting the market after a compromise deal between leading OPEC producers and a surprisingly poor weekly reading on U.S. fuel demand.

GOLD

GOLD HEADS FOR FOURTH WEEKLY GAIN AS FED'S POWELL STICKS TO DOVISH TONE

- Gold prices eased on Friday (16/07/2021) but remained on track for a fourth straight week of gains helped by U.S. Federal Reserve's assurance to keep its accommodative monetary policy for economic recovery.

- Fed Chair Jerome Powell faced questions about inflation and banking regulation in a hearing before the Senate Banking Committee and repeated his pledge of powerful support to complete the U.S. economic recovery, sending U.S. Treasury yields to a one-week low.

- Lower interest rates decrease the opportunity cost of holding non-yielding gold, which is also considered a hedge against inflation that could result from widespread stimulus measures.

- Gold is used as a safe investment during times of political and financial uncertainty. It is also seen as a hedge against inflation.

- We expect gold price to remain stable in the week ahead as investors are pricing in the expectation that recent spikes in inflation will force the hand of the Fed, driving a higher likelihood of earlier than previously expected rate hikes.

COCOA

COCOA PRICES CLOSE LOWER FOR A SECOND DAY ON CONCERN THE DELTA COVID VARIANT COULD CURB COCOA DEMAND.

- Cocoa prices on Friday (16/07/2021) closed moderately lower to end the week. Cocoa prices are under pressure on concern that the spread of the Covid delta variant worldwide will reduce economic activity and demand for commodities, including cocoa.

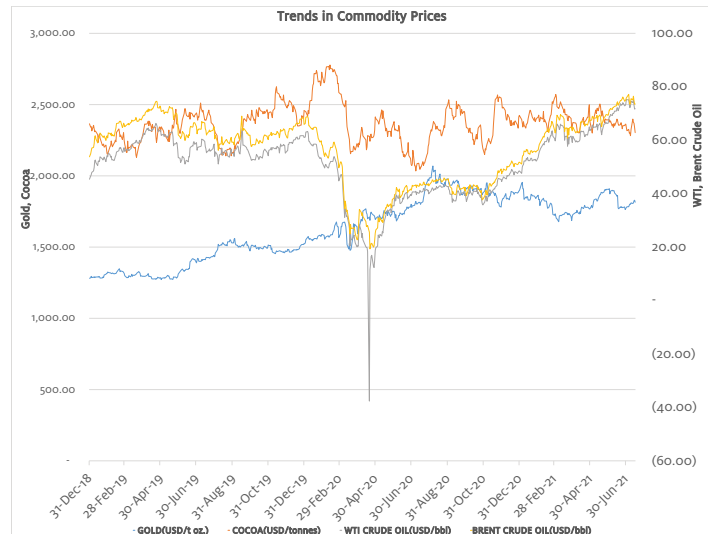
- The delta variant has forced renewed lockdowns across parts of Asia and Australia. Tokyo reported 1,308 new Covid infections, the most in 6 months, and the 7-day average of new U.S. Covid infections rose to a 1-3/4 month high.

- 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.

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

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,805.90	1,815.00	1,810.60	0.24
Cocoa ICCO	USD/ton	2,398.70	2,303.39	2,326.82	(1.01)
WTI Crude	USD/bbl	74.10	71.81	74.56	(3.69)
Brent Crude	USD/bbl	75.16	73.59	75.55	(2.59)
Source: Bloomberg; International Cocoa Organization					

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,829.00	1,805.90	(4.23)	0.82
Cocoa ICCO	2,398.70	2,303.39	(4.99)	11.73
WTI Crude Oil	75.25	71.65	48.00	76.22
Brent Crude	76.49	73.47	42.07	69.68
Source: Bloomberg; International Cocoa Organization				



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