

# Commodity Market Update

Date Issued | 28th June, 2021

## COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities appreciated in price with the exception of Cocoa price.
- Gold price edged up by 0.50% to close the week at 1,777.80 compared to the previous week's price of \$1,769.00.
- WTI and Brent Crude also improved in price by 3.36% and 3.63% at \$74.05 and \$76.18 respectively to close the trading week.
- Cocoa price on the other hand, weakened by 0.10% at \$2,351.99 to close the week compared to its price of \$2,354.33 in the previous week.
- On a year-to-date basis, gold and cocoa dropped by 6.19% and 2.98% respectively. On the contrary, WTI and Brent crude oil inched up in price by 52.62% and 47.07% respectively.
- Year-on year, gold and cocoa advanced in price by 0.41% and 5.32% respectively. Similarly, WTI and Brent crude oil also increased by 91.24% and 85.58% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL RISES FOR 5TH WEEK TO HIGHEST SINCE 2018 ON STRONG DEMAND

- Oil prices climbed to their highest on Friday (25/06/2021), putting both benchmarks up for a fifth week in a row on expectations demand growth will outstrip supply and OPEC+ will be cautious in returning more crude to the market from August.

- Brent futures rose 62 cents, or 3.63%, to settle at \$76.18 a barrel, while U.S. West Texas Intermediate (WTI) crude rose 75 cents, or 3.36%, to \$74.05. Those were the highest closes for both benchmarks since October 2018 and put both contracts up over 3% for the week.

- All eyes are on the Organization of the Petroleum Exporting Countries, Russia and allies - together called OPEC+ - who are due to meet on July 1 to discuss further easing of their output cuts from August.

- On the demand side, the key factors OPEC+ will have to consider are strong growth in the United States, Europe and China, bolstered by vaccine rollouts and whether the reopening of economies would be halted due to the rising COVID-19 cases and outbreaks in other places.

- Also, the prospect of sanctions on Iran being lifted and more of its oil hitting the market anytime soon has dimmed, with a U.S. official saying serious differences remain over a range of issues over Tehran's compliance with the 2015 nuclear deal.

- We therefore expect oil prices to remain firm as fuel demand rebound on strong economic growth and increased travel during the northern hemisphere summer.

### GOLD

#### GOLD SET FOR WEEKLY GAIN AS INFLATION DATA CALMS FED TAPER FEARS

- Gold edged higher on Friday (25/06/2021) after stagnant U.S. consumer spending tempered bets for early monetary policy tightening by the Federal Reserve, setting bullion on track for its first weekly gain in four.

- Gold benefited from the lower-than-expected inflation print as concerns at the margin have eased over a sooner-than-expected timetable for tapering.

- Data earlier showed the personal consumption expenditures (PCE) price index, the Fed's preferred inflation measure, was below expectations in May. The data initially weighed on the dollar, helping gold to regain investor confidence.

- Two Fed officials warned on Thursday that inflation could rise more than policymakers expected in the near term. They spoke after Fed chief Jerome Powell said inflation would not be the only factor determining interest rate decisions.

- We therefore expect gold price to remain stable in the week ahead as investors seek more gold to hedge against inflation in the coming week.

### COCOA

#### NY COCOA CLOSES AT A 7-MONTH LOW AS ABUNDANT GLOBAL COCOA SUPPLIES SPARK FUND SELLING.

- Cocoa prices ended lower, with NY cocoa falling to a 7-month low and London cocoa sliding to a 5-1/2-month low. Abundant global cocoa supplies have sparked fund selling and are weighing on prices.

- Signs of a bumper cocoa crop in Ghana, the world's second-largest cocoa producer, are also bearish for prices. Ghana's 2020/21 main crop was 965,493 MT as of June 3, a 5-year high and above the government's projection of 850,000 MT and above ICCO's estimate of 950,000 MT. In addition, the Ghana Cocoa Board now expects the 2020/21 Ghana cocoa crop to exceed 1 MMT for the first time since 2010/11.

- 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 continue trading sideways as a higher-than-expected cocoa production in Ghana will lead to a bumper cocoa supply.

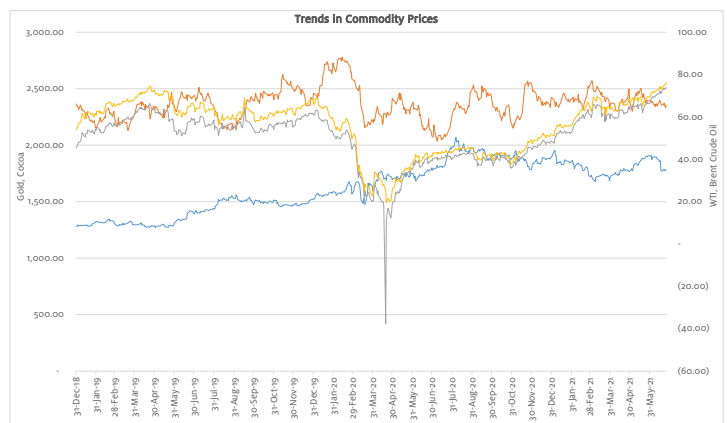
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,782.90	1,777.80	1,769.00	0.50
Cocoa ICCO	USD/ton	2,359.54	2,351.99	2,354.33	(0.10)
WTI Crude	USD/bbl	73.66	74.05	71.64	3.36
Brent Crude	USD/bbl	74.90	76.18	73.51	3.63

Source: Bloomberg; International Cocoa Organization

### WEEKLY HIGHS AND LOWS

COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,783.40	1,776.70	(6.19)	0.41
Cocoa ICCO	2,373.26	2,330.20	(2.98)	5.32
WTI Crude Oil	74.05	73.06	52.62	91.24
Brent Crude	76.18	74.81	47.07	85.58

Source: Bloomberg; International Cocoa Organization



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