

# Commodity Market Update

Date Issued | 2nd August, 2021

## COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities advanced in price.
- Gold price increased by 0.63% to end the week at \$1,817.20 compared to the previous week's price of \$1,805.90.
- WTI and Brent Crude in the same way improved in price by 2.61% and 3.01% at \$73.95 and \$76.33 respectively to close the trading week.
- Cocoa price similarly inched up by 2.30% at \$2,356.79 to close the week compared to its price of \$2,303.78 in the previous week.
- On a year-to-date basis, gold and cocoa decreased by 4.11% and 2.79% respectively. On the contrary, WTI and Brent crude oil went up in price by 52.41% and 47.35% respectively.
- Year-on-year, gold fell by 7.61% while cocoa edged up by 6.04%. As well, WTI and Brent crude oil inched up by 85.24% and 77.76% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL CLIMBS, NOTCHES FOURTH MONTHLY GAIN ON GROWING DEMAND

- Oil prices edged higher on Friday (30/08/2021), with global benchmark Brent posting a fourth monthly gain, with demand growing faster than supply and vaccinations expected to alleviate the impact of a resurgence in COVID-19 infections across the world.

- Both benchmarks notched gains of more than 2% for the week, while Brent rose 1.6% in July, its fourth straight monthly increase. WTI was unchanged for the month.

- Even with coronavirus cases rising in the United States, all around Asia and parts of Europe, higher vaccination rates limited the need for the harsh lockdowns that gutted demand during the peak of the pandemic last year.

- The oil complex has apparently taken a second look at the coronavirus factor in determining that demand will see only a modest reduction, at least one that will prove miniscule in relation to last year's plunge in consumption.

- Still, oil prices will trade near \$70 per barrel for the rest of the year supported by the global economic recovery and a slower-than-expected return of Iranian supplies, with further gains limited by new coronavirus variants.

- We therefore expect oil prices to remain stable this week as demand is on the rise, consumption is on the rise. Of course, the coronavirus is still there but there are no such lockdowns as there were before.

### GOLD

#### GOLD SET FOR STRONGEST WEEK IN 2 MONTHS AS FED IN NO RUSH TO TAPER

- Gold prices held firm near a two-week high on Friday (30/07/2021), heading for their biggest weekly gains in more than two months after the U.S. Federal Reserve cemented investors' hopes that interest rates are going to stay low for some time.

- Fed Chair Jerome Powell said the U.S. job market still had some ground to cover before it would be time to pull back support and that it was "ways away" from considering interest rate hikes.

- Meanwhile, data showed the U.S. economy expanded at a 6.5% annualized rate in the second quarter, but growth fell short of economists' expectations.

- Dovish remarks by the U.S. central bank and underwhelming economic data pushed the dollar to a one-month low and on track for its biggest down week since May, making gold more appealing for other currency holders.

- We therefore expect gold price to remain steady in the week ahead as the precious metal rally is supported by U.S. Federal Reserve Chair Jerome Powell's reassurance that a rate hike was not on the cards for the time being.

### COCOA

#### NY COCOA CLOSES AT A 1-1/2 MONTH HIGH ON REDUCED COCOA SUPPLIES FROM IVORY COAST

- Cocoa prices extended this week's rally, with NY cocoa posting a 1-1/2 month high and London cocoa posting a 2-month high. Cocoa prices have pushed higher this week as signs of reduced weekly cocoa supplies from the Ivory Coast, the world's largest cocoa producer, have sparked fund short-covering.

- The Ivory Coast government reported that Ivory Coast farmers sent 9,944 MT of cocoa to ports the week ended July 25, less than half the 19,118 MT sent the same time last year. However, cumulative cocoa sent by farmers from Oct 1-July 25 totals 2.35 MMT, up +6.8% y/y.

- Cocoa prices continue to be undercut by 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. New global Covid infections rose 3.729 million people the week ended July 25, the most in 2 months. The 7-day average of new U.S. Covid infections rose to a 3-month high Monday of 57,513.

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

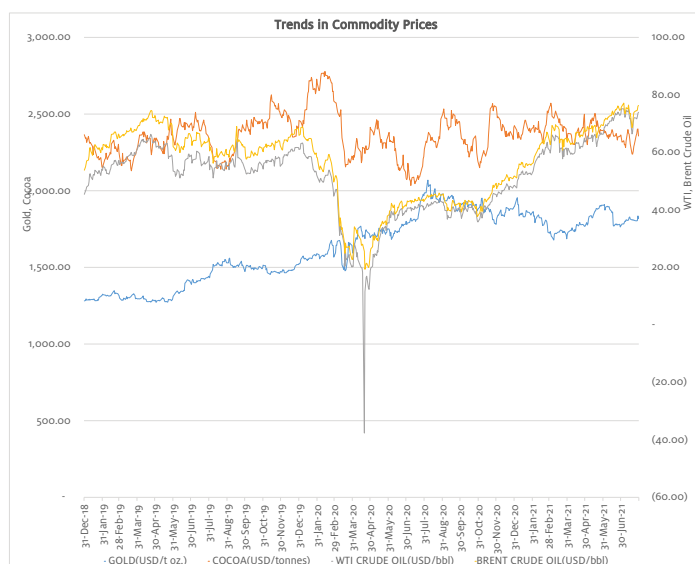
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,803.40	1,817.20	1,805.90	0.63
Cocoa ICCO	USD/ton	2,359.78	2,356.79	2,303.78	2.30
WTI Crude	USD/bbl	71.91	73.95	72.07	2.61
Brent Crude	USD/bbl	74.50	76.33	74.10	3.01

Source: Bloomberg; International Cocoa Organization

### WEEKLY HIGHS AND LOWS

COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,835.80	1,803.40	(4.11)	(7.61)
Cocoa ICCO	2,403.22	2,356.79	(2.79)	6.04
WTI Crude Oil	73.95	71.65	52.41	85.24
Brent Crude	76.33	74.48	47.35	77.76

Source: Bloomberg; International Cocoa Organization



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