

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.

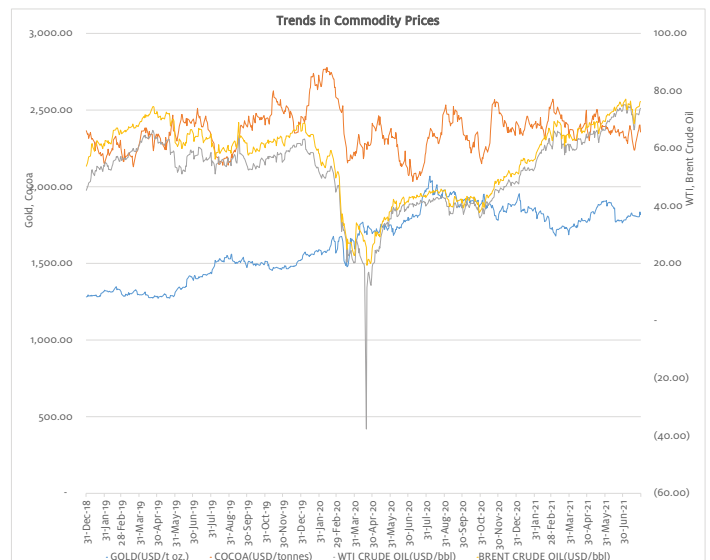
- In the week ahead, we therefore expect cocoa price to trade sideways on demand concerns amid abundant cocoa supplies.

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



Commodity Market Update

Date Issued | 2nd August, 2021



Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjah
Email: mbedjah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.