

Commodity Market Update

Date Issued | 9th August, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities weakened in price except cocoa price.
- Gold price dropped by 2.98% to end the week at \$1,763.10 compared to the previous week's price of \$1,817.20.
- WTI and Brent Crude similarly dipped in price by 7.67% and 7.38% at \$68.28 and \$70.70 respectively to close the trading week.
- Cocoa price on the other hand went up by 2.05% at \$2,405.01 to close the week compared to its price of \$2,356.79 in the previous week.
- On a year-to-date basis, gold and cocoa lessened by 6.97% and 0.80% respectively. On the other hand, WTI and Brent crude oil was up in price by 40.73% and 36.49% respectively.
- Year-on year, gold depreciated by 14.80% whereas cocoa appreciated by 2.04%. In the same way, WTI and Brent crude oil went up by 62.77% and 56.80% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL FALLS IN BIGGEST WEEKLY DECLINE IN MONTHS ON DEMAND WORRIES

- Oil prices fell on Friday (06/08/2021), posting to their steepest weekly losses in months, on worries that travel restrictions to curb the spread of the Delta variant of COVID-19 will derail the global recovery in energy demand.

- Crude futures also came under pressure as the dollar strengthened after monthly U.S. job growth came in higher than expected. A stronger dollar makes greenback-denominated oil more expensive for buyers in other currencies.

- U.S. President Joe Biden said that COVID-19 cases in the United States, which have climbed to a six-month high, will go up before they come down and that the new Delta variant is taking a needless toll on the country.

- Japan also poised to expand emergency restrictions to more regions of the country, while China, the world's second-largest oil consumer, has imposed curbs in some cities and canceled flights.

- For the week, global benchmark Brent shed more than 6%, its largest week of losses in four months, and WTI tumbled nearly 7% in its biggest weekly decline in nine months.

- We expect oil prices to remain under minimal pressure this week on the back of a firmer U.S. dollar and concerns that new coronavirus-related restrictions in Asia, especially China, could slow a global recovery in fuel demand.

GOLD

GOLD SLIDES OVER 2% AS ROBUST JOBS DATA STRENGTHENS FED TAPER BETS

- Gold prices fell on Friday (06/08/2021) as the dollar firmed in the run-up to a key U.S. employment report that could prove pivotal to the Federal Reserve's monetary policy.

- The U.S. nonfarm payrolls (NFP) report exceeded expectations with a 943,000 addition in jobs last month. Majority of the job gains in the report were from lower wage leisure and hospitality sectors which is not inflationary, denting gold's appeal as a hedge against rising prices.

- Also the speculation about the central bank cutting back on its stimulus programme weighed on gold price.

- We expect gold price to trade sideways in the week ahead as strong U.S. jobs data bolster expectations for an early tapering of the Federal Reserve's economic support measures.

COCOA

COCOA PRICES CLOSE MODERATELY HIGHER ON DRY CONDITIONS IN WEST AFRICA

- Cocoa prices on Friday (06/08/2021) closed higher, with London cocoa at a 1-week high. Cocoa prices have support on excessive dryness in West Africa, which may reduce cocoa yields in Ghana and the Ivory Coast, the world's two biggest cocoa producers.

- NY cocoa climbed to a 2-month high as cocoa farmers in the Ivory Coast and Ghana have reported little rain over the past two weeks, which has lowered soil moisture conditions and may curb cocoa yields.

- London cocoa also garnered support from weakness in the British pound after ^GBP/USD fell to a 1-week low, which benefits cocoa that is priced in sterling.

- Cocoa supplies from the Ivory Coast, the world's largest cocoa producer, remain ample. The Ivory Coast government reported that Ivory Coast farmers sent 2.36 MMT of cumulative cocoa to ports from Oct 1-Aug 1, up +5.8% y/y.

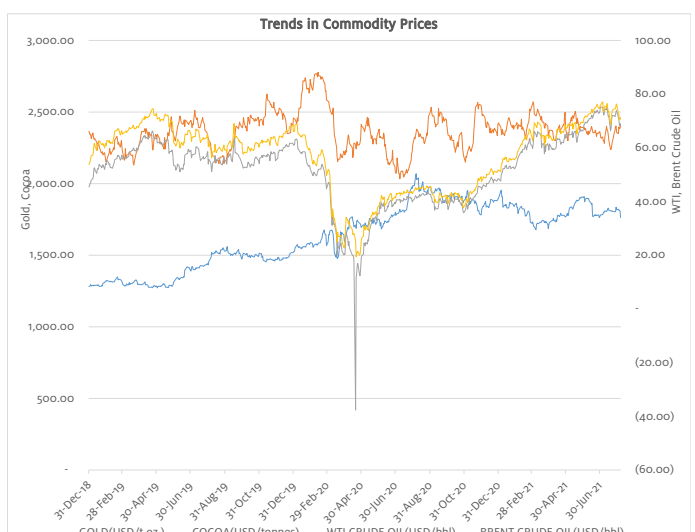
- In the week ahead, we therefore expect cocoa price to remain stable on the back of reduce cocoa yields in Ghana and the Ivory Coast.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,822.20	1,763.10	1,817.20	(2.98)
Cocoa ICCO	USD/ton	2,349.82	2,405.01	2,356.79	2.05
WTI Crude	USD/bbl	71.26	68.28	73.95	(7.67)
Brent Crude	USD/bbl	72.89	70.70	76.33	(7.38)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,822.20	1,763.10	(6.97)	(14.80)
Cocoa ICCO	2,405.01	2,349.82	(0.80)	2.04
WTI Crude Oil	71.26	68.15	40.73	62.77
Brent Crude	72.89	70.38	36.49	56.8

Source: Bloomberg; International Cocoa Organization



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