

Commodity Market Update

Date Issued | 23rd August, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities tumbled in price except the price of Gold.

- Gold price improved by 0.33% to end the week at \$1,784.00 compared to the previous week's price of \$1,778.20.

- WTI and Brent Crude on the other hand plunged in price by 9.21% and 7.66% at \$62.14 and \$65.18 respectively to close the trading week.

- Also, Cocoa price dipped by 0.24% at \$2,506.77 to close the week compared to its price of \$2,512.70 in the previous week.

- On a year-to-date basis, gold fell by 5.86% whereas cocoa appreciated by 3.40%. WTI and Brent crude oil edged up in price by 28.07% and 25.83% respectively.

- Year-on year, gold dropped by 8.35%, but cocoa advanced by 9.71%. WTI and Brent crude oil similarly appreciated by 45.94% and 45.17% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL POSTS BIGGEST WEEK OF LOSSES IN NINE MONTHS AS DELTA VARIANT SPREADS

- Oil prices closed out their biggest week of losses in more than nine months on Friday (20/08/2021), as investors sold futures in anticipation of weakened fuel demand worldwide due to a surge in COVID-19 cases.

- Brent crude fell 8% on the week, settling down \$1.27, or 1.9%, to \$65.18 a barrel, its lowest since April and down about 8% for the week. U.S. West Texas Intermediate (WTI) crude settled down \$1.37, or 2.2%, to \$62.32 a barrel on Friday, to lose more than 9% for the week.

- China, the world's largest crude importer, has imposed new restrictions with its "zero tolerance" coronavirus policy, which is affecting shipping and global supply chains. The United States and China have also imposed flight-capacity restrictions.

- Also the U.S. dollar hit a nine-month high on signs the U.S. Federal Reserve is considering reducing stimulus this year. Oil prices move inversely to the U.S. currency, making oil more expensive for foreign purchasers when the dollar rallies.

- While the Delta variant drags on fuel demand, supply is steadily increasing. U.S. production rose to 11.4 million barrels per day in the most recent week, and drilling firms added rigs for the third week in a row.

- We therefore expect oil prices to remain under pressure this week as investors pull back over concerns on weakened global demand as COVID-19 cases climb and a rising U.S. dollar.

GOLD

GOLD GAINS AS VIRUS FEARS BUOY APPEAL

- Gold edged higher on Friday (20/08/2021), helped by worries over a spike in COVID-19 cases that could muddy the global economic outlook, but gains were capped as it had to compete with the dollar to attract investors seeking safe-haven assets.

- Gold is benefiting from some safe-haven inflows due to COVID-19 concerns in the market right now.

- But the dollar also benefited from safe-haven interest, pushing the currency to a 9-1/2-month high, limiting gold's advance by making bullion more expensive for other currency holders.

- We expect gold price to trade sideways this week against the backdrop of recent tapering hints from the U.S. central bank. Spotlight shifts to the Fed's annual get-together this week in Jackson Hole, that could shed further light on monetary strategy and timeline.

COCOA

COCOA PRICES DECLINE ON ROBUST SUPPLIES FROM GHANA

- Cocoa prices on Friday (20/08/2021) closed lower, with NY cocoa posting a 1-week low. Robust cocoa supplies from Ghana, the world's second-largest cocoa producer, were bearish for prices after the Ghana Cocoa Board reported that it purchased 1.03 MMT of cocoa from farmers. Ghana still has six more weeks left of cocoa purchases for the 2020/21 crop year.

- Losses in London cocoa were limited on the decline in the British pound to a 1-month low. The weaker pound is positive for cocoa priced in sterling.

- 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. The 7-day average of new U.S. Covid infections rose to a 6-1/2 month high Thursday to 141,049.

- In the week ahead, we expect cocoa price to rebound on signs of strengthening demand in chocolate. IRI reported that U.S. retail sales of chocolate confections in the four weeks through July 11 rose +5.8% y/y. Also, data from the exporter group Gepex, a group of the world's six biggest cocoa grinders, showed that July Gepex cocoa processing rose +7.3% y/y to 50,088 MT.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,789.80	1,784.00	1,778.20	0.33
Cocoa ICCO	USD/ton	2,549.24	2,506.77	2,512.70	(0.24)
WTI Crude	USD/bbl	67.29	62.14	68.44	(9.21)
Brent Crude	USD/bbl	69.51	65.18	70.59	(7.66)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,789.80	1,783.10	(5.86)	(8.35)
Cocoa ICCO	2,576.14	2,506.77	3.40	9.71
WTI Crude Oil	67.29	62.14	28.07	45.94
Brent Crude	69.51	65.18	25.83	45.17

Source: Bloomberg; International Cocoa Organization



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