

Commodity Market Update

Date Issued | 26th July, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities improved in price with the exception of Gold price.
- Gold price dropped by 0.50% to end the week at \$1,805.90 compared to the previous week's price of \$1,815.00.
- WTI and Brent Crude on the other hand inched up in price by 0.36% and 0.69% at \$72.07 and \$74.10 respectively to close the trading week.
- Cocoa price also edged up by 0.02% at \$2,303.78 to close the week compared to its price of \$2,303.39 in the previous week.
- On a year-to-date basis, gold and cocoa fell by 4.71% and 4.97% respectively. On the other hand, WTI and Brent crude oil increased in price by 48.54% and 43.05% respectively.
- Year-on year, gold reduced by 4.45% while cocoa advanced by 10.21%. Also, WTI and Brent crude oil appreciated by 75.48% and 71.09% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL EDGES UP IN WEEKLY REBOUND ON FORECASTS FOR TIGHT SUPPLIES

- Oil prices edged higher on Friday (23/07/2021) and for the week after a strong recovery from steep slide, underpinned by expectations that supply will remain tight through the year.

- The price of oil tumbled at the start of the week on concern over the impact on the economy and crude demand from surging cases of the COVID-19 Delta variant in the United States, Britain, Japan and elsewhere.

- For the week, Brent gained 0.7% after declining for three consecutive weeks, while WTI rose 0.4% after falling for two weeks.

- Both benchmarks slumped about 7% the previous week but pared those losses, with investors expecting demand to stay strong and the market to receive support from falling oil stockpiles and rising vaccination rates.

- Demand growth is expected to outpace supply after the deal between the Organization of the Petroleum Exporting Countries (OPEC) and allies, collectively known as OPEC+, to add back 400,000 barrels per day (bpd) each month from August.

- We therefore expect oil prices to remain steady this week due to concerns over fuel demand caused by the spread of COVID-19 variants and as changes to import rules in China offset expectations of tight supplies through the rest of the year.

GOLD GOLD DIPS AS YIELDS PERK UP, DOLLAR STRENGTHENS

- Gold fell and was heading for a weekly dip on Friday as a stronger dollar, firmer yields and equity markets chipped away at its appeal.

- Bullion has shed 0.5% last week after briefly moving toward the previous week's one-month peak, as fears over rising Delta variant COVID-19 cases have eased, prompting investors to move out of the safe-haven asset as risk appetite returned.

- Heaping pressure on the metal was a stronger dollar index that held close to a 3-1/2-month peak and firmer benchmark Treasury yields. Higher yields tend to weigh on gold, which pays no interest as it translates into an increased opportunity cost of holding the metal.

- Market focus now turns to this week's U.S. Federal Reserve meeting after the European Central Bank on Thursday (22/07/2021) pledged to keep interest rates at record lows for some time.

- We therefore expect gold price to trade sideways in the week ahead as with investors turning their attention to the Federal Open Market Committee's meeting this week.

COCOA COCOA PRICES POST MODEST GAINS ON CONSOLIDATION AFTER RECENT LOSSES.

- Cocoa prices on Friday (23/07/2021) closed slightly higher on consolidation after recent losses. Cocoa prices sold off sharply over the past week and slumped to a 4-month near-futures low last week on concern 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 2-1/2 month high of 40,062.

- 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.

- Robust cocoa supplies from Ghana, the world's second-largest cocoa producer, are bearish for prices after the Ghana Cocoa Board purchased 1,005,070 metric tons of cocoa from farmers in the season of Oct 1 to July 15, the most in a decade. Ghana still has eight more weeks left of cocoa purchases for the 2020/21 crop year.

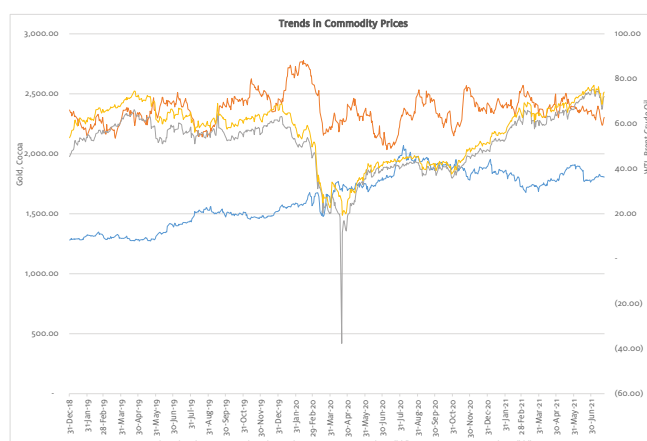
- In the week ahead, we therefore expect cocoa price to trade sideways on demand concerns amid abundant cocoa supplies.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,809.20	1,805.90	1,815.00	(0.50)
Cocoa ICCO	USD/ton	2,239.81	2,303.78	2,303.39	0.02
WTI Crude	USD/bbl	66.42	72.07	71.81	0.36
Brent Crude	USD/bbl	68.62	74.10	73.59	0.69

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,811.40	1,805.90	(4.71)	(4.45)
Cocoa ICCO	2,303.78	2,238.31	(4.97)	10.21
WTI Crude Oil	72.07	66.42	48.54	75.48
Brent Crude	74.10	68.62	43.05	71.09

Source: Bloomberg; International Cocoa Organization



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