

Commodity Market Update

Date Issued | 13th September, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of Gold and Cocoa depreciated whereas WTI and Brent Crude appreciated in price.

- Gold price was down by 2.27% to end the week at \$1,792.10 compared to the previous week's price of \$1,833.70.

- WTI and Brent Crude on the contrary advanced in price by 0.62% and 0.43% at \$69.72 and \$72.92 respectively to close the trading week.

- Cocoa price dropped by 1.02% at \$2,543.81 to close the week compared to its price of \$2,569.93 in the previous week.

- On a year-to-date basis, the price of gold dipped by 5.44% while cocoa went up by 4.93%. WTI and Brent crude oil increased in price by 43.69% and 40.77% respectively.

- Year-on year, gold declined by 8.77%, whereas cocoa went up by 6.16%. WTI and Brent crude oil on the contrary edged up by 86.92% and 65.46% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL RALLIES ON TIGHT U.S. SUPPLIES, BIDEN-XI CALL

- Oil rose on Friday (10/09/2021), supported by growing signs of supply tightness in the United States as a result of Hurricane Ida and as U.S.-China trade hopes gave riskier assets a boost.

- About three quarters of the U.S. Gulf's offshore oil production, or about 1.4 million barrels per day, has remained halted since late August.

- Brent crude rose to settle at 0.43%, to \$72.92. U.S. West Texas Intermediate (WTI) crude rose at 0.63% to \$69.72.

- Both grades posted a small gain on the week. Brent has rallied this year on supply cuts by the Organization of the Petroleum Exporting Countries and some demand recovery from the pandemic.

- Oil price also got a boost from news of a call between U.S. President Joe Biden and his Chinese counterpart Xi Jinping. The call raised hopes for warmer relations and more global trade.

- In focus this week will be revisions to the oil demand outlook for 2022 from OPEC and the International Energy Agency.

- Our expectation therefore is for oil prices to be strong this week supported by concerns over shut output in the United States because of damage from Hurricane Ida.

GOLD

GOLD EASES AMID UNCERTAINTY OVER U.S. FED'S TAPER TIMELINE

- Gold edged lower on Friday (10/09/2021) amid uncertainty over the U.S. Federal Reserve's tapering timeline that kept most investors on the sidelines, with gains in the dollar last week putting bullion on course to mark its first weekly decline in five.

- Also, data showed the number of Americans filing new claims for jobless benefits fell last week to the lowest level in nearly 18 months, offering more evidence that job growth was being hindered by labour shortages rather than cooling demand for workers.

- We therefore expect gold price to remain under pressure in the coming week as resurgent dollar keeps the metal on a tight leash with investors awaiting U.S. inflation readings later this week.

COCOA

COCOA PRICES TUMBLE ON SIGNS OF AMPLE SUPPLY

- Cocoa prices on Friday (10/09/2021) tumbled to 1-week lows and closed moderately lower. Signs of ample supplies are weighing on cocoa prices after the Ivory Coast government reported that Ivory Coast farmers sent 2.42 MMT of cumulative cocoa to Ivory Coast ports during Oct 1-Sep 5, up +6.1% y/y.

- The International Cocoa Organization (ICCO) raised its global 2020/21 cocoa production estimate to a record 5.14 MMT from a previous estimate of 5.02 MMT and raised its global 2020/21 cocoa surplus estimate to 230,000 MT from a previous estimate of 165,000 MT.

- Also 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.

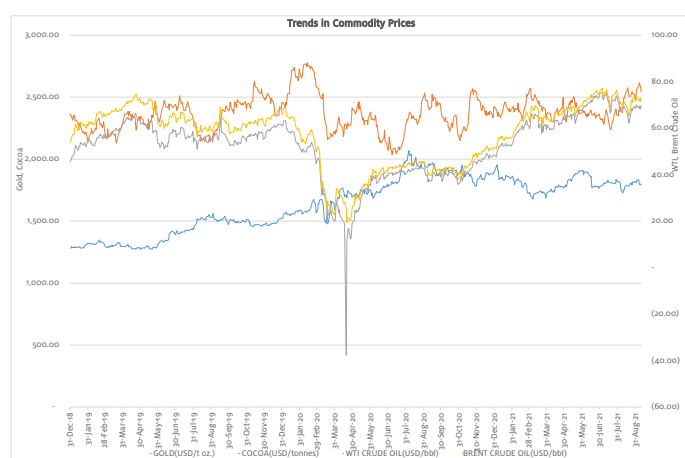
- In the week ahead, we expect cocoa price to remain under pressure as the Delta variant has forced renewed lockdowns across parts of Asia and Australia which could soften demand for chocolate.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,833.70	1,792.10	1,833.70	(2.27)
Cocoa ICCO	USD/ton	2,589.29	2,543.81	2,569.93	(1.02)
WTI Crude	USD/bbl	69.29	69.72	69.29	0.62
Brent Crude	USD/bbl	72.22	72.92	72.61	0.43

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,833.70	1,792.10	(5.44)	(8.77)
Cocoa ICCO	2,616.25	2,543.81	4.93	6.16
WTI Crude Oil	69.72	68.14	43.69	86.92
Brent Crude	72.92	71.45	40.77	65.46

Source: Bloomberg; International Cocoa Organization



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