

# Commodity Market Update

Date Issued | 20th September, 2021

## COMMODITY MARKET OVERVIEW

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

- Gold price fell by 2.27% to end the week at \$1,751.40 compared to the previous week's price of \$1,792.10.

- WTI and Brent Crude on the other hand increased in price by 3.23% and 3.32% at \$71.97 and \$75.34 respectively to close the trading week.

- Cocoa price similarly went up by 1.72% at \$2,587.51 to close the week compared to its price of \$2,543.81 in the previous week.

- On a year-to-date basis, the price of gold dropped by 7.58% whereas cocoa improved by 6.73%. WTI and Brent crude oil also appreciated in price by 48.33% and 45.44% respectively.

- Year-on year, gold went down by 10.18%, however, cocoa, WTI and Brent Crude advanced by 4.56%, 75.67% and 74% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL PRICES JUMP OVER \$2/BBL AFTER DRAWDOWN IN U.S. STOCKS

- Oil prices rose on Friday (17/09/2021) after government data showed a larger-than-expected drawdown in U.S. crude inventories, and on prospects of a rise in demand as vaccination roll-outs widen.

- U.S. crude oil stockpiles fell last week to the lowest since September 2019, the U.S. Energy Information Administration said, extending their drawdown after Hurricane Ida late August shut numerous refineries and offshore drilling production. Figures showing U.S. crude inventories fell by a bigger-than-expected 6.4 million barrels last week, with offshore oil facilities still recovering from Ida's impact.

- Oil prices found support from the International Energy Agency (IEA), which said vaccine roll-outs would power a rebound, after a three-month slide in global oil demand due to the spread of the Delta coronavirus variant and renewed pandemic restrictions.

- Oil is also finding support from a surge in European power prices, which have soared because of factors including low gas inventories and lower-than-normal gas supply from Russia.

- In the week ahead, we expect oil prices to rally supported by concerns about the global consumption outlook counterbalancing the struggle by big OPEC producers to pump enough supply to meet growing demand.

### GOLD

#### GOLD RESUMES RETREAT ON DOLLAR STRENGTH WITH ALL EYES ON FED

- Gold prices inched lower on Friday (17/09/2021), pressured by a firmer dollar, while investors awaited guidance from the U.S. Federal Reserve on when it is likely to start withdrawing its bond-buying programme.

- Bullion slipped as much as 2.7% on Friday, as the dollar index jumped after an unexpected increase in U.S. retail sales last month raised expectations of the Federal Reserve potentially reducing its stimulus sooner.

- Reduced central bank stimulus tends to lift bond yields, which raises the opportunity cost of holding non-interest bearing gold. It also helps boost the dollar, further weighing on bullion.

- We expect gold price to be weighed in the coming week as the Fed is expected to give further direction on when it will start reducing its monthly bond purchases when it meets this week. A sooner than expected tapering by the Fed will firm up the dollar and US Treasury yields and increase the opportunity cost of holding a non-yielding asset like Gold.

### COCOA

#### COCOA PRICES REMAIN FIRM ON SOLID GLOBAL COCOA DEMAND

- Cocoa prices on Friday (17/09/2021) moved higher for a third straight session and posted moderate gains. Signs of strength in global cocoa demand are bullish for prices after Gepex, an exporter group that includes six of the world's biggest cocoa grinders, reported that Gepex Aug cocoa processing rose +22.4% y/y to 54,459 MT.

- On the other hand, signs of ample supplies are negative for cocoa prices after the Ivory Coast government reported that Ivory Coast farmers sent 2.44 MMT of cumulative cocoa to Ivory Coast ports during Oct 1-Sep 12, up +6.6% y/y.

- Also, cocoa supplies are robust from Ghana, the world's second-largest cocoa producer, after the Ghana Cocoa Board reported that it purchased 1.03 MMT of cocoa from farmers in the season of Oct 1 to Aug 19, the most in a decade.

- In the week ahead, we expect the price of cocoa to remain firm on the back of strengthening global cocoa demand.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,794.40	1,751.40	1,792.10	(2.27)
Cocoa ICCO	USD/ton	2,556.65	2,587.51	2,543.81	1.72
WTI Crude	USD/bbl	70.45	71.97	69.72	3.23
Brent Crude	USD/bbl	73.51	75.34	72.92	3.32

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,807.10	1,751.40	(7.58)	(10.18)
Cocoa ICCO	2,587.51	2,556.65	6.73	4.56
WTI Crude Oil	72.61	70.45	48.33	75.67
Brent Crude	75.67	73.51	45.44	74.00

Source: Bloomberg; International Cocoa Organization



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