

Commodity Market Update

Date Issued | 30th August, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities advanced in price.
- Gold price increased by 1.99% to end the week at \$1,819.50 compared to the previous week's price of \$1,784.00.
- WTI and Brent Crude similarly appreciated in price by 10.62% and 11.54% at \$68.74 and \$72.70 respectively to close the trading week.
- Cocoa price also rose by 0.62% at \$2,522.33 to close the week compared to its price of \$2,506.77 in the previous week.
- On a year-to-date basis, the price of gold declined by 3.99% whereas cocoa went up by 4.04%. WTI and Brent crude oil inched up in price by 41.67% and 40.35% respectively.
- Year-on year, gold fell by 5.85%, but cocoa gained 5.14%. WTI and Brent crude oil equally stayed up by 59.71% and 61.23% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL POSTS BIGGEST WEEKLY GAINS IN OVER A YEAR AHEAD OF HURRICANE IDA

- Oil prices rose on Friday (27/08/2021), posting their biggest weekly gains in over a year, as energy firms began shutting U.S. production in the Gulf of Mexico ahead of a major hurricane expected to hit early this week.
- Brent futures rose 11.54%, to settle at \$72.70 a barrel, while U.S. West Texas Intermediate (WTI) crude rose 10.62%, to settle at \$68.74 which was the biggest weekly percentage gains for both since June 2020.
- Oil producers on Friday had to shut down 59% of Gulf of Mexico crude production as the ninth-named storm of the season barreled towards the key U.S. offshore oilfields.
- Gulf of Mexico offshore wells account for 17% of U.S. crude production, while over 45% of total U.S. refining capacity lies along the Gulf Coast.
- Oil prices were also supported by a decline in the U.S. dollar to a one-week low versus a basket of other currencies following comments by U.S. Federal Reserve Chair Jerome Powell.
- We therefore expect oil prices to remain stable in the coming week on the back of supply disruptions due to Hurricane Ida against the likelihood that OPEC and its allies will go ahead with an increase in output.

GOLD

GOLD PRICES HIT 3-1/2-WEEK HIGH ON POWELL'S DOVISH TONE

- Gold bounced over 1% on Friday (27/08/2021) after Federal Reserve Chair Jerome Powell stopped short of signaling when the U.S. central bank would start withdrawing its economic support and reiterated his view that current price spikes are transitory.
- In a virtual speech to the Jackson Hole economic conference, Powell signaled the U.S. central bank will remain patient and repeated that he wants to avoid chasing transitory inflation and potentially discouraging job growth in the process.
- Lending a further boost to bullion, benchmark U.S. Treasury yields and the dollar weakened after Powell's comments.
- We expect gold price to continue to be favourable in the coming week getting support from the unclear guidance on the timeline for paring economic support by U.S. Federal Reserve Chair Jerome Powell.

COCOA

COCOA CLOSSES HIGHER WITH FOCUS ON IVORY COAST AND GHANA SUPPLIES

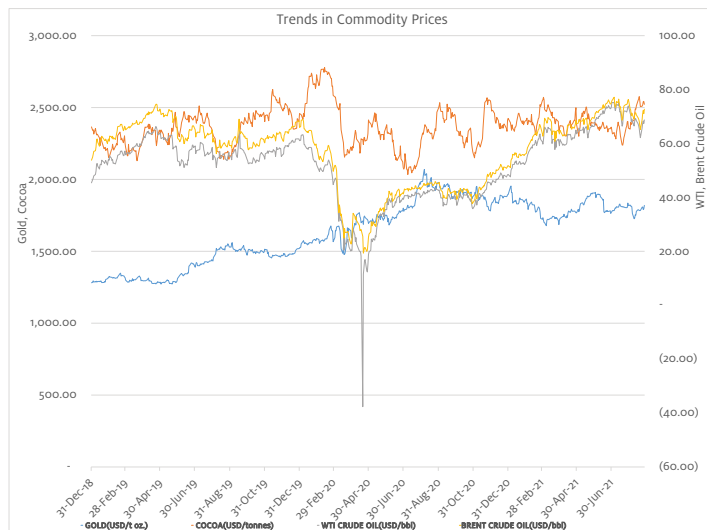
- Cocoa prices closed moderately higher on signs of ample cocoa supplies from the Ivory Coast, the world's biggest cocoa producer. The Ivory Coast government reported that Ivory Coast farmers sent 2.41 MMT of cumulative cocoa to ports during Oct 1-Aug 22, up +6.6% y/y.
- Robust cocoa supplies from Ghana, the world's second-largest cocoa producer, are also bearish for prices 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. Ghana still has six more weeks left of cocoa purchases for the 2020/21 crop year.
- Signs of stronger global demand have pushed cocoa prices higher over the past month up to a 5-1/2 month high. IRI reported Aug 10, 2021 that U.S. retail sales of chocolate confections in the four weeks through July 11 rose +5.8% y/y.
- Also, the suspension of forward cocoa sales by Ivory Coast cocoa regulator for the 2021//22 season is also supporting cocoa prices.
- In the week ahead, we expect cocoa price to remain steady on demand and supply fundamentals.

| COMMODITY | Unit | Price (week start) | Price (week close) | Previous week close | Wkly (%Δ) |
|--------------|---------|--------------------|--------------------|---------------------|-----------|
| Gold (Comex) | USD/oz | 1,806.30 | 1,819.50 | 1,784.00 | 1.99 |
| Cocoa ICCO | USD/ton | 2,508.96 | 2,522.33 | 2,506.77 | 0.62 |
| WTI Crude | USD/bbl | 65.64 | 68.74 | 62.14 | 10.62 |
| Brent Crude | USD/bbl | 68.75 | 72.70 | 65.18 | 11.54 |

Source: Bloomberg; International Cocoa Organization

| WEEKLY HIGHS AND LOWS | | | | |
|-----------------------|-------------|------------|----------|----------|
| COMMODITY | Weekly high | Weekly low | YTD (%Δ) | YoY (%Δ) |
| Gold (Comex) | 1,819.50 | 1,791.00 | (3.99) | (5.85) |
| Cocoa ICCO | 2,542.77 | 2,508.96 | 4.04 | 5.14 |
| WTI Crude Oil | 68.74 | 67.42 | 41.67 | 59.71 |
| Brent Crude | 72.70 | 68.75 | 40.35 | 61.23 |

Source: Bloomberg; International Cocoa Organization



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