

# Commodity Market Update

Date Issued | 18th October, 2021

## COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities edged up in price with the exception of the price of Cocoa.

- Gold price improved by 0.62% to end the week at \$1,768.30 compared to the previous week's price of \$1,757.40.

- In the same way, WTI and Brent Crude increased further in price by 3.69% and 3.00% at \$82.28 and \$84.86 respectively to close the trading week.

- Cocoa price oppositely dipped by 3.73% at \$2,565.03 to close the week compared to its price of \$2,664.46 in the previous week.

- On a year-to-date basis, the price of gold was down by 6.69%, on the other hand cocoa went up by 5.80%. Also WTI and Brent crude oil was up in price by 69.58% and 63.82% respectively.

- Year-on year, gold dropped by 7.37%, then again, Cocoa, WTI and Brent Crude advanced by 15.58%, 100.88% and 96.62% respectively.

## MARKET UPDATE AND OUTLOOK

### CRUDE OIL

#### OIL PRICES RISE TO THREE-YEAR HIGH ON BACK OF SUPPLY DEFICIT FORECASTS

- Oil prices settled at a three-year high above \$82 a barrel on Friday(15/10/2021), boosted by forecasts of a supply deficit in the next few months as the easing of coronavirus-related travel restrictions spurs demand.

- Brent crude futures settled at \$84.86 a barrel, which touched their highest level to hit a weekly rise of 3%, its sixth straight weekly gain. U.S. West Texas Intermediate (WTI) crude futures rose 3.69% to \$82.28 a barrel in an eighth consecutive weekly rise.

- Demand has picked up with the recovery from the COVID-19 pandemic, with a further boost from power generators who have been turning away from expensive gas and coal to fuel oil and diesel.

- The White House said it will lift COVID-19 travel restrictions for fully vaccinated foreign nationals effective Nov. 8, 2021 which should boost jet fuel demand.

- Meanwhile, a sharp drop in oil stockpiles in the United States and the member countries of the Organization of Economic Co-operation and Development is expected to keep global supply tight.

- In the week ahead, we expect oil prices to remain positive buoyed by recovering demand and high natural gas and coal prices encouraging users to switch to fuel oil and diesel for power generation.

### GOLD

#### GOLD EYES BEST WEEK SINCE EARLY MAY ON SOFTER DOLLAR

- Gold prices edged higher in a tight range on Friday (15/10/2021), as a risk-off sentiment in equity markets buoyed the safe-haven metal, although bullion was still pressured by rising U.S. Treasury yields.

- Gold price was supported by a weaker U.S. dollar lifting its appeal despite a looming Federal Reserve stimulus taper. Boosting gold's appeal for buyers in other currencies, the dollar index was headed for its first weekly decline in six.

- While gold is often considered an inflation hedge, reduced stimulus and interest rate hikes push government bond yields up, raising the opportunity cost of holding non-yielding bullion.

- We therefore expect gold to trade lower in the coming week as market positioning also indicate an increasing expectation that central banks will prioritize policy tightening to curb inflation. Despite concerns on global growth, various economic data and new information are showing different economic situations and guiding markets on likely policy response divergences.

### COCOA

#### COCOA PRICES CLOSE MODERATELY HIGHER

- Cocoa prices on Friday (15/10/2021) settled mixed with London cocoa falling to a fresh 2-week low. London cocoa was under pressure from the rally in the British pound to a 4-week high. A stronger pound undercuts the price of cocoa quoted in terms of sterling.

- Recent data shows that global cocoa demand is mixed. The European Cocoa Association reported that European Q3 cocoa processing rose +8.7% y/y to 375,811 MT, above the consensus of +5.8% y/y. The North American Confectioners Association reported Q3 North American cocoa grindings rose +4.3% y/y to 123,399 MT, below expectations of +6.6% y/y.

- The outlook for a smaller cocoa crop in Ghana is expected to be supportive for prices after the Ghana Cocoa Board projected a 2021/22 cocoa harvest of 950,000 MT, down -5.6% y/y from 1.06 MMT projected for the 2020/21 crop.

- We therefore expect the price of cocoa to remain stable this week supported by tighter cocoa supplies which are supportive of prices after ICE-monitored U.S. cocoa inventories fell to a 4-1/2-month low. Also, ICE-monitored EU cocoa inventories fell to an 8-month low.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,755.70	1,768.30	1,757.40	0.62
Cocoa ICCO	USD/ton	2,616.10	2,565.03	2,664.46	(3.73)
WTI Crude	USD/bbl	80.52	82.28	79.35	3.69
Brent Crude	USD/bbl	83.65	84.86	82.39	3.00

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,797.90	1,755.70	(6.69)	(7.37)
Cocoa ICCO	2,616.10	2,550.41	5.80	15.58
WTI Crude Oil	82.28	80.44	69.58	100.88
Brent Crude	84.86	83.18	63.82	96.62

Source: Bloomberg; International Cocoa Organization



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