

Commodity Market Update

Date Issued | 27th September, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities appreciated in price except the price of Cocoa.

- Gold price rose by 0.02% to end the week at \$1,751.70 compared to the previous week's price of \$1,751.40.

- WTI and Brent Crude in the same way inched up in price by 2.79% and 3.65% at \$73.98 and \$78.09 respectively to close the trading week.

- Cocoa price oppositely declined by 2.29% at \$2,528.20 to close the week compared to its price of \$2,587.51 in the previous week.

- On a year-to-date basis, the price of gold plunged by 7.57%, however, cocoa advanced by 4.28%. WTI and Brent crude oil likewise went up in price by 52.47% and 50.75% respectively.

- Year-on year, gold was down by 6.67%, on the other hand, cocoa, WTI and Brent Crude increased by 2.56%, 83.53% and 86.19% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL HITS HIGHEST IN ALMOST 3 YEARS AS SUPPLY TIGHTENS

- Oil prices rose for a third week in a row to a near three-year high on Friday (24/09/2021) as global output disruptions have forced energy companies to pull large amounts of crude out of inventories.

- Brent futures rose 3.65% to settle at \$78.09 a barrel, while U.S. West Texas Intermediate (WTI) crude rose 2.79% to settle at \$73.98. It was the third week of gains for Brent and the fifth for WTI mostly due to U.S. Gulf Coast output disruptions from Hurricane Ida in late August.

- Also supporting prices, some members of the Organization of the Petroleum Exporting Countries (OPEC) and its allies have struggled to raise output after years of under-investment or delays to maintenance work during the pandemic.

- Iran's export capabilities partially hinge upon reviving its 2015 nuclear deal. The window remained open but Tehran has not indicated whether it is willing to resume talks in Vienna.

- Oil prices again drew support as concerns eased over a possible near-term default by Chinese property developer China Evergrande on its dollar bonds.

- In the week ahead, we expect oil prices to remain stable amid supply concerns as demand picks up in parts of the world with the easing of pandemic restrictions.

GOLD

GOLD PRICES FIRM AS SOFTER DOLLAR, EVERGRANDE WOES LIFT APPEAL

- Gold prices edged up on Friday (24/09/2021), buoyed by safe-haven demand as investors grew wary over cash-strapped China Evergrande's fate while a softer dollar also lifted the metal's allure for holders of other currencies.

- Asian stock markets were on edge, hurt by persistent uncertainty around the fate of debt-ridden China Evergrande as the uncertainty around Evergrande's debt also spurred demand for physical gold in top consumer China, near the \$1,750 level.

- We expect gold price to come under pressure in the coming week with major central banks signaling tapering of pandemic-era stimulus, with investors gearing up for speeches from U.S. Federal Reserve policymakers this week for cues on the central bank's rate hike timeline.

COCOA

COCOA PRICES SLIP ON SIGNS OF ADEQUATE COCOA SUPPLIES

- Cocoa prices on Friday (24/09/2021) closed moderately lower, with NY cocoa falling to a 3-week low and London cocoa sliding to a 1-1/2-week low. Signs of ample cocoa supplies are pressuring prices after the Ivory Coast government reported that Ivory Coast farmers sent 2.45 MMT of cumulative cocoa to Ivory Coast ports during Oct 1-Sep 19, up +7.0% 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.

- On the other hand, 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.

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

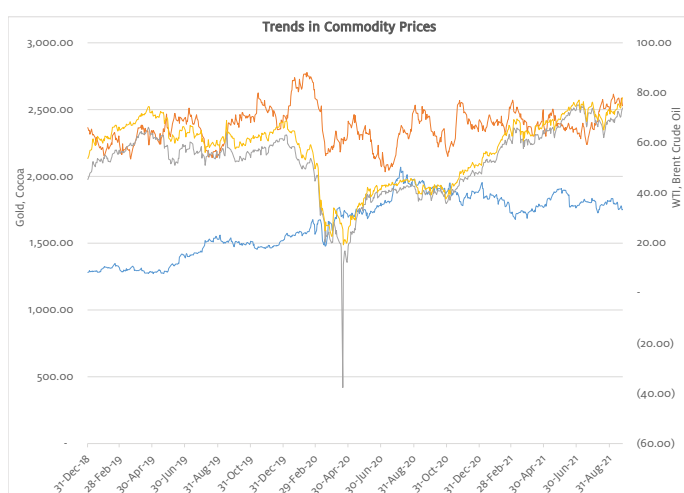
- We therefore expect price of cocoa to remain stable supported by tighter cocoa supplies against improved global cocoa demand.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,763.80	1,751.70	1,751.40	0.02
Cocoa ICCO	USD/ton	2,527.97	2,528.20	2,587.51	(2.29)
WTI Crude	USD/bbl	70.29	73.98	71.97	2.79
Brent Crude	USD/bbl	73.92	78.09	75.34	3.65

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,778.80	1,749.80	(7.57)	(6.67)
Cocoa ICCO	2,586.81	2,527.97	4.28	2.56
WTI Crude Oil	73.98	70.29	52.47	83.53
Brent Crude	78.09	73.92	50.75	86.19

Source: Bloomberg; International Cocoa Organization



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