

Commodity Market Update

Date Issued | 1st November, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities tumbled in price.

- Gold price fell by 0.69% to end the week at \$1,783.90 compared to the previous week's price of \$1,796.30.

- WTI and Brent Crude in the same way edged down in price by 0.23% and 1.34% at \$83.57 and \$84.38 respectively to close the trading week.

- As well, Cocoa price declined by 2.38% at \$2,461.66 to close the week compared to its price of \$2,521.69 in the previous week.

- On a year-to-date basis, the price of gold went down by 5.87%, but, cocoa increased by 1.54%. In addition, WTI and Brent crude oil also advanced in price by 72.24% and 62.90% respectively.

- Year-on year, gold fell by 4.50%. Then again, Cocoa, WTI and Brent Crude appreciated by 11.03%, 131.05% and 124.12% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL DROPS MORE THAN 1% AS U.S. STOCKPILES RISE SHARPLY

- Oil prices settled lower on Friday (29/11/2021) as concerns about U.S. supply growth vied with speculation that Iran's supply could come online following nuclear talks with global powers.

-- Brent crude settled down by 0.23% at \$83.57 a barrel. U.S. West Texas Intermediate (WTI) crude also fell by 1.34% to settle at \$84.38.

- The bigger-than-expected rise in U.S. crude stocks gave some investors an impetus to unload long positions after strong gains in recent weeks brought both the Brent and U.S. crude benchmarks to multi-year highs.

- Iran's top nuclear negotiator Ali Bagheri Kani said the country's talks with six world powers to try to revive a 2015 nuclear deal will resume by the end of November. A deal could pave the way to lifting harsh sanctions imposed by former U.S. President Donald Trump on Iran's oil exports in late 2018

- Oil has advanced of late on the expectation that nations like China and India will respond to shortages in coal and natural gas by switching to crude-derived products for power generation and heating. Such demand could boost overall crude consumption by more than half a million barrels of oil a day.

- We therefore expect oil prices to range-trade in the week ahead on strong demand, a rise in US crude inventories and the expectation for OPEC+ to stick to its plan for gradual monthly production increases of 400,000 barrels per day in their upcoming meeting on Thursday.

GOLD

GOLD HITS OVER ONE-WEEK LOW AS DOLLAR RALLIES ON INFLATION DATA

- Gold prices fell to their lowest level in more than a week on Friday (29/10/2021), weighed down by a stronger dollar after U.S. data showed inflation stayed hot last month, putting the focus back on the Federal Reserve's policy meeting this week.

- The consumer spending data fueled worries about aggressive monetary policy action from the Fed to combat a surge in prices, sending yields on the U.S. 10-year note up as high as 1.6190%, and the dollar surging 0.8%.

- Gold is traditionally seen as an inflation hedge. However, reduced stimulus and interest rate hikes to combat such inflationary pressure tend to push government bond yields up, raising non-interest bearing gold's opportunity cost.

- Traders across global markets have aggressively raised their outlook for policy tightening, as an energy crunch and snarled supply chains drive inflation higher, leading market participants to price the risk of a faster exit.

- We therefore expect gold to come under pressure in the coming week as the Fed is expected to announce when it will start tapering at the end of its Nov. 2-3 monetary policy meeting.

COCOA

COCOA PRICES CLOSE LOWER ON DEMAND CONCERNS AND SHARP DOLLAR RALLY

- NY cocoa prices on Friday (29/10/2021) sold off on a sharp +0.85% rally in the dollar index. Also, the Ivory Coast saw some heavy rain, which was good for the crops but caused some transportation disruptions of cocoa beans to shipping ports. In a bearish factor, Nigeria reported that Sep cocoa exports were up +137% y/y at 13,223 MT.

- NY cocoa fell to a 2-1/2 month nearest-futures low, and London cocoa slid to a 1-1/2-month low. Cocoa prices have been undercut by weaker-than-expected demand. On Oct 15, Q3 Asian cocoa grindings were reported up +4.1% y/y to 210,970 MT, below expectations of +5.5% 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. Conversely, 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.

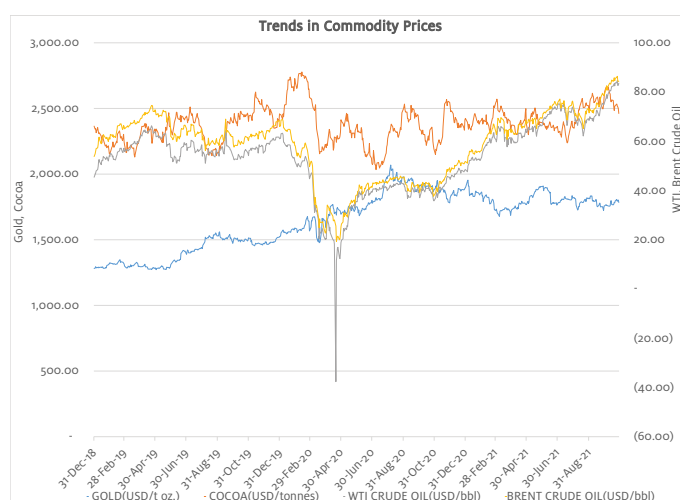
- We therefore expect the price of cocoa to be pressured this week on the back of unfavourable demand and abundant supply for the current season.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,806.80	1,783.90	1,796.30	(0.69)
Cocoa ICCO	USD/ton	2,533.92	2,461.66	2,521.69	(2.38)
WTI Crude	USD/bbl	83.76	83.57	83.76	(0.23)
Brent Crude	USD/bbl	85.99	84.38	85.53	(1.34)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,806.80	1,783.90	(5.87)	(4.50)
Cocoa ICCO	2,533.92	2,461.66	1.54	11.03
WTI Crude Oil	84.65	82.66	72.24	131.05
Brent Crude	86.40	84.32	62.90	124.12

Source: Bloomberg; International Cocoa Organization



Commodity Market Update

Date Issued | 1st November, 2021



Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.