

Commodity Market Update

Date Issued | 8th November, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities plunged in price with the exception of Gold price.

- Gold price settled higher at 1.84% to end the week at \$1,816.80 compared to the previous week's price of \$1,783.90.

- On the other hand, WTI and Brent Crude dropped in price by 2.75% and 1.94% at \$81.27 and \$82.74 respectively to close the trading week.

- Similarly, Cocoa price decreased by 4.78% at \$2,344.07 to close the week compared to its price of \$2,461.66 in the previous week.

- On a year-to-date basis, the price of gold and cocoa were down by 4.13% and 3.31% respectively. On the other hand, WTI and Brent crude oil witnessed an uptick in price by 67.50% and 59.73% respectively.

- Year-on year, gold was down by 6.68%. However, Cocoa, WTI and Brent Crude edged up by 6.26%, 109.51% and 102.15% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL PRICES SINK, REVERSING GAINS AS SAUDI TV REPORTS LOOMING OUTPUT RISE

- Oil prices sank on Friday (05/11/2021), after a report that Saudi Arabia's oil output will soon surpass 10 million barrels per day for the first time since the outset of the COVID-19 pandemic.

- The report, from Saudi-owned Al Arabiya TV, came after the nation, along with other Organization of the Petroleum Exporting Countries and its allies, agreed to stick to previously agreed upon production increases.

- Brent crude fell by 1.94% to settle at \$82.74 a barrel. U.S. West Texas Intermediate crude fell 2.75% to settle at \$81.27 a barrel.

- The Organization of the Petroleum Exporting Countries and allies, collectively known as OPEC+, agreed to stick to plans to raise oil output by 400,000 barrels per day (bpd) on a monthly basis, despite calls from the United States for extra supply to cool rising prices.

- The White House criticized a decision by top oil producers to keep oil output steady, saying OPEC and its allies appeared "unwilling" to use their power to help the global economic recovery. Saying it would consider all tools at its disposal to guarantee affordable energy, including the possibility of releasing oil from strategic petroleum reserves (SPR).

- Despite this sentiments, we expect oil prices to remain stable in the week ahead as positive signs for global economic growth support the outlook for energy demand.

GOLD

GOLD HITS NEAR TWO-MONTH PEAK AS CENBANKS STRIKE DOVISH TONE

- Gold rose more than 1% on Friday (05/11/2021) to a near two-month high as major central banks' dovish tone on interest rates last week lifted the demand for the safe-haven metal.

- The Federal Reserve stuck to its view that inflation would prove "transitory" and would likely not require a fast rise in interest rates. Following that, the Bank of England surprised markets by keeping rates on hold.

- Last week, the central bank announcements helped gold reverse from losses to be on course for its best weekly gain since late August of about 1.84%.

- We therefore expect gold to remain stable in the coming week as investors hold onto the view that central banks will keep interest rates low for the time being, with focus turning to key U.S. inflation data due later in the week.

COCOA

COCOA PRICES RETREAT ON IDEAL GROWING CONDITIONS IN WEST AFRICA

- Cocoa prices on Friday (05/11/2021) extended this week's sharp losses, with NY cocoa falling to a fresh 3-month low. Losses in London were limited from a weaker pound as (GBP/USD) fell, which boosts cocoa priced in sterling.

- The outlook for a bumper West African cocoa mid-crop is bearish for cocoa prices. Surveyed cocoa farmers in the Ivory Coast and Ghana are optimistic about their crops as ideal weather with adequate rain in West Africa should boost the yields of the West African cocoa mid-crop, the smaller of two annual crops that will be harvested in the first half of next year.

- Cocoa prices also remained under pressure during the week under review on the back of 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.

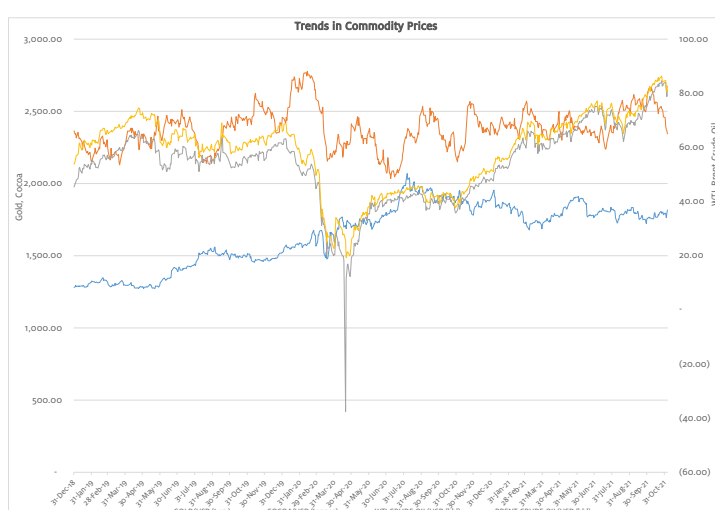
- We therefore expect the price of cocoa to be under continuous pressure this week on signs of abundant cocoa supplies from the Ivory Coast and Ghana.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,795.80	1,816.80	1,783.90	1.84
Cocoa ICCO	USD/ton	2,458.01	2,344.07	2,461.66	(4.78)
WTI Crude	USD/bbl	84.05	81.27	83.57	(2.75)
Brent Crude	USD/bbl	84.71	82.74	84.38	(1.94)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,816.80	1,763.90	(4.13)	(6.68)
Cocoa ICCO	2,458.01	2,344.07	(3.31)	6.26
WTI Crude Oil	84.05	78.81	67.5	109.51
Brent Crude	84.72	80.54	59.73	102.15

Source: Bloomberg; International Cocoa Organization



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