

Commodity Market Update

Date Issued | 15th November, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, Gold and Cocoa gained in price whereas WTI and Brent Crude depreciated in price.
- Gold price edged up by 2.85% to end the week at \$1,868.50 compared to the previous week's price of \$1,816.80.
- Also, Cocoa price advanced by 1.91% at \$2,388.76 to close the week compared to its price of \$2,344.07 in the previous week.
- On the other hand, WTI and Brent Crude declined in price by 0.59% and 0.69% at \$80.79 and \$82.17 respectively to close the trading week.
- On a year-to-date basis, the price of gold and cocoa plunged by 1.40% and 1.47% respectively. On the contrary, WTI and Brent crude oil rose in price by 66.51% and 58.63% respectively.
- Year-on year, gold fell by 0.26%. However, Cocoa, WTI and Brent Crude appreciated by 7.35%, 96.47% and 88.77% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL PRICES POST THIRD WEEKLY DROP AFTER VOLATILE WEEK

- Oil prices fell on Friday (12/11/2021), wiping out gains from the previous weeks, on worries that the U.S. Federal Reserve will accelerate plans to boost interest rates to tame inflation.

- Also, both benchmarks fell for a third consecutive week, hit by a strengthening dollar and speculation that President Joe Biden's administration might release oil from the U.S. Strategic Petroleum Reserve to cool prices.

- Brent crude fell from \$82.17 to settle at \$82.74 a barrel. U.S. West Texas Intermediate crude dropped from \$80.79 to settle at \$81.27 a barrel.

- Even though there are positive signs on the demand side, with air travel picking up rapidly, tighter monetary and fiscal policy and the looming Northern Hemisphere winter will act as a dampener.

- The Organization of the Petroleum Exporting Countries (OPEC) cut its world oil demand forecast for the fourth quarter by 330,000 barrels per day (bpd) from last month's forecast as high energy prices is hampering economic recovery from the COVID-19 pandemic.

- We therefore expect oil prices to drop further in the week ahead on expectations of increasing supply, while higher energy costs and rising COVID-19 cases are also weighing on demand.

GOLD

GOLD LOGS BEST WEEK SINCE MAY AS INFLATION FEARS GROW

- Gold price rose on Friday (12/11/2021) and was on track to post their best week in six months, with bullion's appeal as an inflation hedge burnished by a surge in U.S. consumer prices.

- Gold has gained as much as \$110 bolstered by deepening fears of inflation and reassurances from key central banks that interest rates would remain low for the time being.

- Reduced stimulus and interest rate hikes tend to push up government bond yields and raise the opportunity cost of holding gold, which pays no interest.

- The dollar index soared, pressuring bullion by increasing its cost to buyers holding other currencies. But the metal was still on track for its biggest weekly gain, after U.S. consumer prices recorded their sharpest jump in over 30 years last month.

- We therefore expect gold to stay firm in the coming week as cautious investors assess whether rising inflation will prompt a more aggressive response by central banks.

COCOA

COCOA PRICES REMAIN FIRM ON DEMAND OPTIMISM

- Cocoa prices on Friday (12/11/2021) closed slightly higher as they consolidated below 1-week highs. Improved cocoa demand optimism is lifting prices after Barry Callebaut AG, the world's biggest cocoa processor, said that the global chocolate confectionery market grew +1.8% in the year through August and that chocolate demand has surpassed pre-pandemic levels.

- London cocoa prices received an added boost after (GBP/USD) fell to a 10-1/2-month low, as cocoa priced in sterling garnered support from weakness in the British pound.

- Cocoa prices also have carry-over support on signs of strength in foreign cocoa demand after data from Gepex, an exporter group that contains the six of the world's biggest cocoa grinders, showed Gepex Oct cocoa processing rose +8.2% y/y to 53,906 MT.

- We expect the price of cocoa to remain stable on the back of tighter cocoa supplies after ICE-monitored U.S. cocoa inventories fell to a 5-3/4-month low, down from the record high of 5.86 mln bags.

| COMMODITY | Unit | Price (week start) | Price (week close) | Previous week close | Wkly (%Δ) |
|---|---------|--------------------|--------------------|---------------------|-----------|
| Gold (Comex) | USD/oz | 1,828.00 | 1,868.50 | 1,816.80 | 2.85 |
| Cocoa ICCO | USD/ton | 2,364.83 | 2,388.76 | 2,344.07 | 1.91 |
| WTI Crude | USD/bbl | 81.93 | 80.79 | 81.27 | (0.59) |
| Brent Crude | USD/bbl | 83.43 | 82.17 | 82.74 | (0.69) |
| Source: Bloomberg; International Cocoa Organization | | | | | |

| WEEKLY HIGHS AND LOWS | | | | |
|---|-------------|------------|----------|----------|
| COMMODITY | Weekly high | Weekly low | YTD (%Δ) | YoY (%Δ) |
| Gold (Comex) | 1,868.50 | 1,828.00 | (1.40) | (0.26) |
| Cocoa ICCO | 2,406.73 | 2,351.48 | (1.47) | 7.35 |
| WTI Crude Oil | 84.15 | 80.79 | 66.51 | 96.47 |
| Brent Crude | 84.78 | 82.17 | 58.63 | 88.77 |
| Source: Bloomberg; International Cocoa Organization | | | | |



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