

Commodity Market Update

Date Issued | 25th October, 2021

COMMODITY MARKET OVERVIEW

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

- Gold price increased by 1.58% to end the week at \$1,796.30 compared to the previous week's price of \$1,768.30.

- Likewise, WTI and Brent Crude edged up in price by 1.80% and 0.79% at \$83.76 and \$85.53 respectively to close the trading week.

- Cocoa price on the other hand dropped by 1.69% at \$2,521.69 to close the week compared to its price of \$2,565.03 in the previous week.

- On a year-to-date basis, the price of gold declined by 5.21%, however, cocoa was up by 4.02%. As well, WTI and Brent crude oil appreciated in price by 72.63% and 65.12% respectively.

- Year-on year, gold went down by 5.69%. On the other hand, Cocoa, WTI and Brent Crude edged up by 8.02%, 106.10% and 101.44% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL HOVERS BELOW RECENT HIGHS; ENDS WEEK UP

- Oil prices gained more than 1% on Friday (22/10/2021) and reached multi-year highs, as tight global supply and strengthening fuel demand in the United States and beyond supported prices.

- Both benchmarks have climbed by around 20% since the start of September. U.S. crude has risen for nine straight weeks, while Brent has risen for seven.

- Crude prices have risen as supply has tightened, with the Organization of the Petroleum Exporting Countries maintaining a slow increase in supply rather than intervening to add more barrels to the market.

- Globally, refiners have been boosting output thanks to high margins, one that can only be restrained by maintenance. U.S. refining capacity use dropped in the most recent week, but analysts noted that supply may continue to tighten if U.S. refiners also pick up processing again.

- Oil prices have also been bolstered by worries over coal and gas shortages in China, India and Europe, which spurred fuel switching to diesel and fuel oil for power.

- In the week ahead, we expect oil prices to rally after U.S. crude inventories at the nation's largest storage site hit their lowest level in three years and nationwide fuel stocks fell sharply, a signal of rising demand.

GOLD

GOLD WITNESSED A SECOND WEEKLY GAIN AS DOLLAR WEAKENS

- Gold prices gained on Friday (22/10/2021), and were on track for a second straight weekly gain as a weaker U.S. dollar and growing inflationary pressure boosted demand for the safe-haven metal.

- On Friday, the metal rallied to its highest level since early-September before paring gains after Fed Chairman Jerome Powell said the U.S. central bank should start reducing its asset purchases.

- The dollar index headed for a second week of declines, lending support to gold by making it more attractive for buyers holding other currencies.

- Further, growth concerns also reduced the ability for central banks to be aggressive on hiking rates and in turn helped gold.

- We therefore expect gold to remain stable in the coming week as inflationary pressures remain in the market which will be an underlying supportive factor for gold price.

COCOA

COCOA PRICES UNDER PRESSURE ON TEPID GLOBAL COCOA DEMAND

- Cocoa prices on Friday (22/10/2021) retreated for the second week, with NY cocoa falling to a 2-1/2 month near-futures low and London cocoa sliding to a 1-1/2-month low. Cocoa prices have been undercut by weaker-than-expected demand. Q3 Asian cocoa grindings rose +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.

- Cocoa supplies are robust from Ghana, the world's second-largest cocoa producer, after the Ghana Cocoa Board reported that it purchased a record 1.05 MMT of cocoa from farmers in the season of Oct 1 to Sep 30. In addition, data on Sep 27 from Nigeria, the world's fifth-largest cocoa producer, was bearish for prices after Nigeria Aug cocoa exports surged more than +700% y/y to 20,873 MT.

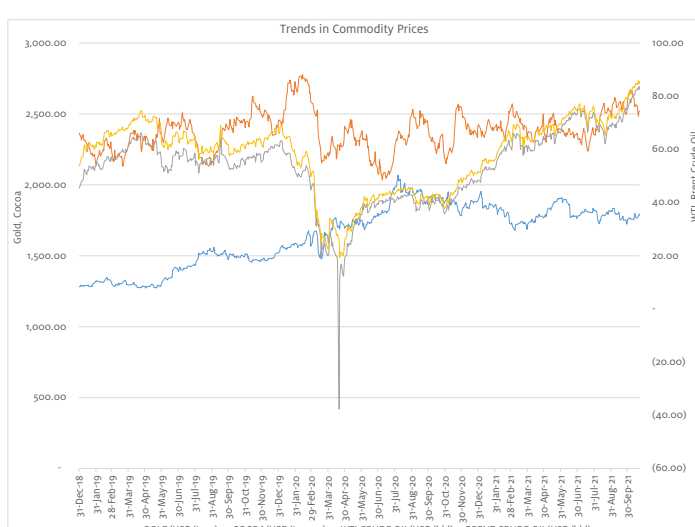
- We therefore expect the price of cocoa to trade sideways this week on the back of demand and supply factors.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,765.70	1,796.30	1,768.30	1.58
Cocoa ICCO	USD/ton	2,560.84	2,521.69	2,565.03	(1.69)
WTI Crude	USD/bbl	82.44	83.76	82.28	1.80
Brent Crude	USD/bbl	84.33	85.53	84.86	0.79

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,796.30	1,765.70	(5.21)	(5.69)
Cocoa ICCO	2,560.84	2,484.42	4.02	8.02
WTI Crude Oil	83.76	82.44	72.63	106.10
Brent Crude	85.82	84.33	65.12	101.44

Source: Bloomberg; International Cocoa Organization



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