

Commodity Market Update

Date Issued | 6th December, 2021

COMMODITY MARKET OVERVIEW

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

- Gold price plunged by 0.23% to end the week at \$1,783.90 compared to the previous week's price of \$1,788.10.

- On the other hand, Cocoa price edged up by 2.01% at \$2,365.66 to close the week compared to its price of \$2,319.05 in the previous week.

- WTI and Brent Crude as well depreciated in price by 2.77% and 3.91% at \$66.26 and \$69.88 respectively to close the trading week.

- On a year-to-date basis, the price of gold and Cocoa were down by 5.87% and 2.42% respectively. However, WTI and Brent crude oil went up in price by 36.56% and 34.90% respectively.

- Year-on year, gold and cocoa dropped by 3.12% and 4.69% respectively. Whereas, WTI and Brent Crude improved by 45.18% and 43.46% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL TUMBLES AS OPEC+ STICKS TO PRODUCTION PLAN

- Oil prices dipped on Friday (03/12/2021), after Organization of the Petroleum Exporting Countries (OPEC+) agreed to go ahead with the planned January output rise. OPEC+ has been releasing 400,000 barrels per day of oil per month winding down its record cuts from last year.

- Both benchmarks declined for a sixth week in a row for the first time since November 2018, and both remained in technically oversold territory for the first time since September 2020.

- The spread of the Omicron coronavirus variant added to concerns over lower demand and crude surplus early next year after major oil-consuming nations pledged to release the emergency reserves.

- Meanwhile, US deputy energy secretary David Turk said President Biden's administration could adjust the timing of its planned release of strategic crude oil stockpiles if global energy prices drop substantially.

- Also, OPEC+ surprised the market when it stuck to its plans to add 400,000 barrels per day (bpd) supply in January.

- But OPEC+ left the door open to changing policy swiftly if demand suffered from measures to contain the spread of the Omicron coronavirus variant. They said they could meet again before their next scheduled meeting on Jan. 4, 2022.

- We therefore expect oil price to remain weighed on growing worries that rising coronavirus cases and a new variant could reduce global oil demand.

GOLD

GOLD UNDER PRESSURE FROM HAWKISH POWELL REMARKS

- Gold prices were set for their third straight weekly loss despite being steady on Friday, as U.S. Federal Reserve Chair Jerome Powell's comments that pandemic-era asset purchases could end sooner than previously anticipated dented bullion's appeal.

- Fed chair Jerome Powell doubled down on his hawkish tilt, stating in congress on Wednesday (01/12/2021) that policy-makers will discuss an earlier end to the central bank's stimulus in the next meeting.

- His comments buoyed the dollar, further pressuring the bullion, as a stronger dollar makes the yellow metal more expensive for buyers with other currencies.

- We therefore expect gold price to remain stable as sentiment for riskier assets improve, with moves limited by overall uncertainty over the Omicron coronavirus variant ahead of this week's U.S. inflation numbers.

COCOA

COCOA PRICES POST MODERATE GAINS ON SMALLER COCOA SUPPLIERS FROM IVORY COAST

- Cocoa prices initially climbed to 1-week highs on smaller cocoa supplies from the Ivory Coast after the Ivory Coast government reported that Ivory Coast cocoa farmers sent a cumulative 789,1501 MT of cocoa to Ivory Coast ports from Oct 1-Dec 5, down -10.1% from the same time last year.

- In the course of last week, cocoa prices tumbled to 4-1/4 month lows on concern the new omicron Covid variant will spread globally and force countries into lockdowns that will curb demand for commodities, including cocoa. Japan and Israel have already closed their borders to all foreign visitors, and other countries have imposed travel restrictions.

- An improved outlook for West African cocoa crops is also bearish for cocoa prices. Recent surveys show 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 harvested in the first half of next year.

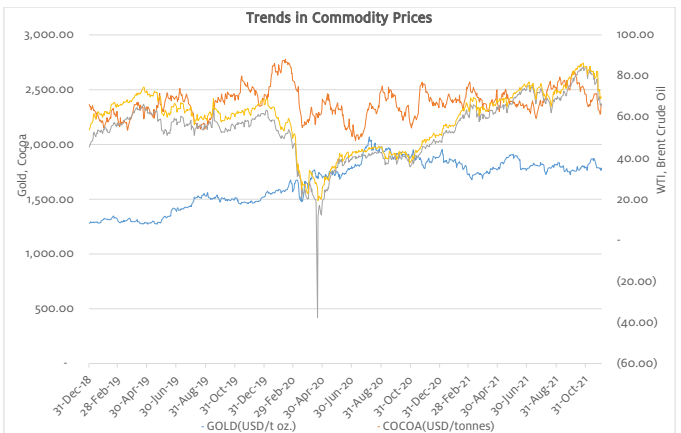
- We therefore expect the price of cocoa to trade sideways in the week ahead as the International Cocoa Organization (ICCO) raised its global 2020/21 cocoa production estimate to a record 5.14 MMT from a previous estimate of 5.02 MMT, and cut its global 2020/21 cocoa surplus estimate to 212,000 MT from a previous estimate of 230,000 MT.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,785.20	1,783.90	1,788.10	(0.23)
Cocoa ICCO	USD/ton	2,303.33	2,365.66	2,319.05	2.01
WTI Crude	USD/bbl	69.95	66.26	68.15	(2.77)
Brent Crude	USD/bbl	73.44	69.88	72.72	(3.91)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,785.20	1,762.70	(5.87)	(3.12)
Cocoa ICCO	2,365.66	2,275.53	(2.42)	(4.69)
WTI Crude Oil	69.95	65.57	36.56	45.18
Brent Crude	73.44	68.87	34.90	43.46

Source: Bloomberg; International Cocoa Organization



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