

Commodity Market Update

Date Issued | 29th November, 2021

COMMODITY MARKET OVERVIEW

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

- Gold price tumbled by 3.57% to end the week at \$1,788.10 compared to the previous week's price of \$1,854.30.

- As well, Cocoa price dipped by 5.66% at \$2,319.05 to close the week compared to its price of \$2,458.20 in the previous week.

- WTI and Brent Crude also weakened in price by 10.26% and 7.82% at \$68.15 and \$72.72 respectively to close the trading week.

- On a year-to-date basis, the price of gold and Cocoa dropped by 5.65% and 4.34% respectively. On the other hand, WTI and Brent crude oil improved in price by 40.46% and 40.39% respectively.

- Year-on year, gold and cocoa were down by 1.28% and 8.93% respectively. However, WTI and Brent Crude edged up by 49.09% and 52.13% correspondingly.

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL SLUMPS ON SURPLUS AND VIRUS CONCERNS

- Oil prices slumped to trade below \$76 per barrel on Friday (26/11/2021) amid concerns over an inflated crude surplus projected early next year following a coordinated release of oil reserves among major consumers, and after a new virus variant clouded the demand outlook even more.

- OPEC's advisory board expects a 400,000 barrels per day excess in the oil markets in December and predicted that the surplus would expand to 2.3 million bdp in January and 3.7 million bdp in February if consumer nations proceed with the release.

- The OPEC+ alliance will meet on Dec. 1-2 to decide whether it will continue raising output by 400,000 bdp in January, after some members warned that releasing strategic reserves may lead to the group holding back crude supply.

- Meanwhile, the UK raised the alarm over a new South African COVID variant which could make vaccines less effective, prompting Britain to introduce travel restrictions on South Africa and five neighboring countries.

- We therefore expect oil price to remain stressed on growing demand concerns after a new and possibly vaccine-resistant coronavirus variant was detected in South Africa triggering worry about the potential for travel restrictions.

GOLD GOLD WITNESSED WORST WEEK IN 5 MONTHS ON HAWKISH FED VIEW

- Gold witnessed its worst week, as bullion prices were hammered by increasing bets that the U.S. Federal Reserve would accelerate the pace of stimulus tapering and raise interest rates sooner to curb rising inflation.

- The dollar index was steady but not far off a 16-month peak last week. A stronger dollar made bullion costlier for buyers holding other currencies.

- Further pressuring bullion was the Fed's intention to double the pace of tapering its monthly bond purchases from January to \$30 billion, and wind down its pandemic-era bond buying scheme by mid-March, 2022.

- Additionally, a surge in coronavirus infections in Germany and high inflation weighed on the consumer morale in Europe's largest economy, dampening the demand for the yellow metal.

- We therefore expect gold price to rebound this week as a safe haven asset on the back of the risk posed by the new COVID-19 variant detected in South Africa.

COCOA COCOA PRICES SINK AS A NEW COVID VARIANT SPARKS DEMAND CONCERNS

- Cocoa prices on Friday (26/11/2021) tumbled to 3-3/4 month lows and closed sharply lower. Cocoa prices sold off on concern a new Covid variant identified in South Africa will spread globally and force countries into lockdowns that could curb the demand for chocolate.

- 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 raised its global 2020/21 cocoa surplus estimate to 230,000 MT from a previous estimate of 165,000 MT.

- Also, 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.

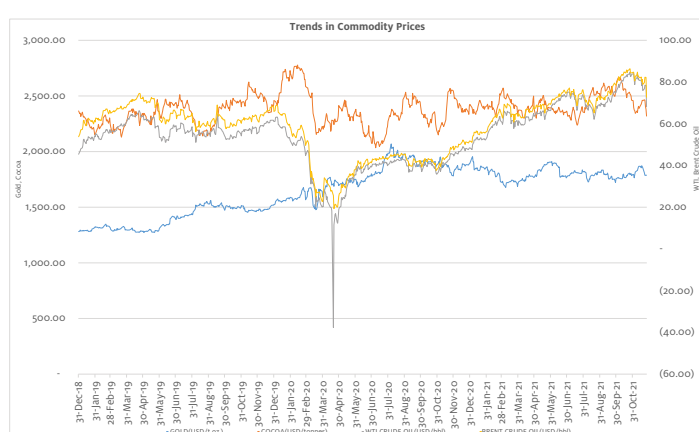
- We therefore expect the price of cocoa to trade slightly lower in the week ahead as a smaller cocoa crop in Ghana is bullish for prices after the Ghana Cocoa Board projected a Ghana 2021/22 cocoa harvest of 950,000 MT, down -5.6% y/y from 1.06 MMT projected for the 2020/21 crop.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,809.10	1,788.10	1,854.30	(3.57)
Cocoa ICCO	USD/ton	2,465.78	2,319.05	2,458.20	(5.66)
WTI Crude	USD/bbl	76.75	68.15	75.94	(10.26)
Brent Crude	USD/bbl	79.70	72.72	78.89	(7.82)

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,809.10	1,786.30	(5.65)	(1.28)
Cocoa ICCO	2,465.78	2,319.05	(4.34)	(8.93)
WTI Crude Oil	78.5	68.15	40.46	49.09
Brent Crude	82.31	72.72	40.39	52.13

Source: Bloomberg; International Cocoa Organization



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