

Commodity Market Update

Date Issued | 10th January, 2022



COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities appreciated in price with the exception of Gold price. Gold price tumbled by 1.71% to end the week at \$1,797.40 compared to the previous week's price of \$1,828.60.*
 - On the other hand, Cocoa price gained by 0.08% at \$2,441.38 to close the week compared to its price of \$2,439.31 in the previous week.*
 - Similarly, WTI and Brent Crude advanced in price by 4.91% and 5.10% at \$78.90 and \$81.75 respectively to close the trading week.*
 - On a year-to-date basis, the price of gold dipped by 1.71%. But, Cocoa, WTI and Brent crude oil edged up in price by 0.08%, 4.91% and 5.10% respectively.*
- Year-on year, gold was also down by 6.07%. However, Cocoa, WTI and Brent Crude went up by 2.59%, 55.22%*

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL CLIMBS TO 7-WEEK HIGH ON SUPPLY WORRIES

- Oil price hovered near \$80 per barrel on Friday (07/01/2022) and ended the week higher, as the market tightened due to a civil unrest in Kazakhstan and supply outages in Libya.
- Kazakhstan's biggest oil producer has altered output at the giant Tengiz field following widespread protests in a country that is currently producing 1.6 million barrels of oil per day.
- Libyan oil output is also down by over 500,000 barrels per day due to pipeline maintenance and oilfield shutdowns. The supply disruptions came as OPEC+ kept its existing policy of modest monthly output increases, citing a mild and short-lived impact on fuel demand from the omicron variant.
- Also, US crude stockpiles fell lower than expected while gasoline and distillate inventories rose, raising concerns about fuel demand among investors. Oil prices are currently trading at levels last seen in mid-November before news of the omicron variant first emerged.
- Meanwhile, investors remain optimistic about demand in 2022 despite rising COVID-19 cases and restrictions around the globe, and particularly in China, after the oil cartel maintained a steady pace in raising supply citing a mild and short-lived impact on fuel demand from the omicron variant.
- We therefore expect oil price to remain stable as OPEC+ agreed to boost output further coupled with supply constraints.

GOLD GOLD DECLINE ON FIRMER YIELDS

- Gold steadied below \$1,800 per ounce on Friday (07/01/2022) and was set for a 2% weekly decline, weighed down by firmer bond yields as traders braced for a more aggressive monetary tightening by the Federal Reserve.
- Fed officials said that the "very tight" labor market might warrant raising rates sooner than expected, as policymakers seek to tame high inflation. The latest minutes also revealed the central bank discussed reducing its balance sheet in another move to aggressively dial back pandemic-era stimulus. Benchmark 10-year US yields hit 1.75% this week, the strongest level since March 2021.
- Although investors view gold as a hedge against inflation, higher interest rates raise the opportunity cost of holding non-yielding bullion. Meanwhile, investors await the December jobs report, as strong employment numbers could provide additional support to the Fed's hawkish stance and weigh on gold.
- We therefore expect gold price to trade slightly lower as traders braced for a more aggressive monetary tightening by the Federal Reserve in a bid to tame high inflation.

COCOA COCOA REMAINS STABLE CLOSE TO \$2500

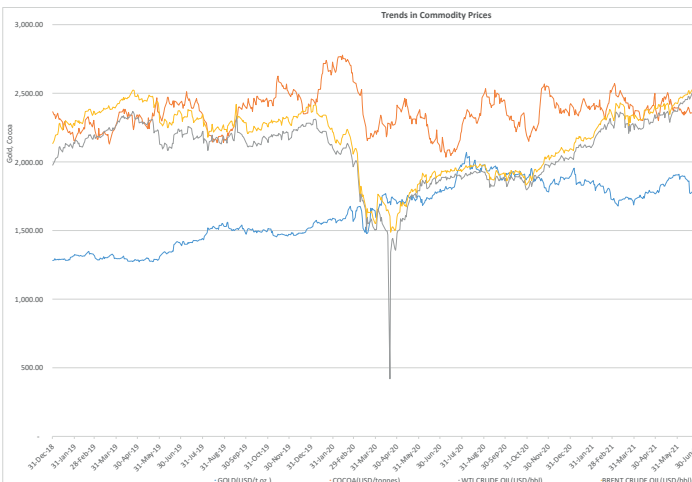
- Cocoa prices on Friday (07/01/2021) settled sharply higher after booking a 2.6% loss in 2021. Cocoa futures traded close to \$2500 in the first week of January, below its one-year peak of \$2755 hit in October amid expectations of a global production surplus due to favourable weather conditions in top producers in West Africa.
- At the same time, subdued chocolate consumption amid renewed Omicron-induced movement restrictions also pressured the cocoa market.
- Meanwhile, the International Cocoa Organization (ICCO) in its recent report revised its estimates higher for both demand and production for 2021/2022 cropping season.
- The report showed that demand for cocoa would go up by 4.9 million tonnes due to increased use of beans whereas production would rise at a faster 5.2 million tonnes due to better weather conditions in major producing countries.
- We however expect the price of cocoa to be stable in the week ahead as there is growing evidence that the omicron Covid variant is causing milder symptoms which is a boost for optimism in the recovery of air travel, which could enhance cocoa consumption.

WEEKLY HIGHS AND LOWS

COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,825.10	1,789.20	(1.71)	(6.07)
Cocoa ICCO	2,441.38	2,358.93	0.08	2.59
WTI Crude Oil	79.46	76.08	4.91	55.22
Brent Crude	81.99	78.98	5.10	50.33
Source: Bloomberg; International Cocoa Organization				

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,800.10	1,797.40	1,828.60	(1.71)
Cocoa ICCO	USD/ton	2,406.58	2,441.38	2,439.31	0.08
WTI Crude	USD/bbl	76.08	78.90	75.21	4.91
Brent Crude	USD/bbl	78.98	81.75	77.78	5.10
Source: Bloomberg; International Cocoa Organization					

Commodity Price, 01 Jan to date



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Road Myth

**“My senses
are ~~sharper~~
when drunk.”**

Debunking Myths 101



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