

Commodity Market Update

Date Issued | 17th January, 2022



COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities improved in price. Gold price rose by 1.06% to end the week at \$1,816.50 compared to the previous week's price of \$1,797.40.
- Also, Cocoa price increased by 5.16% at \$2,567.27 to close the week compared to its price of \$2,441.38 in the previous week.
- In the same way, WTI and Brent Crude edged up in price by 6.24% and 5.27% at \$83.82 and \$86.06 respectively to close the trading week.
- On a year-to-date basis, the price of gold dropped by 0.66%. On the other hand, Cocoa, WTI and Brent crude oil appreciated in price by 5.25%, 11.45% and 10.65% respectively.
- Year-on year, gold again declined by 1.89%. Nevertheless, Cocoa, WTI and Brent Crude appreciated by 8.12%, 56.47% and 52.53% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL HEADS FOR 4TH WEEKLY GAIN, LONGEST SINCE OCTOBER

- Oil prices edged up to around \$84.8 per barrel on Friday (14/01/2022), and achieved a fourth consecutive week of gains, the longest since October as supply disruptions in Libya and Kazakhstan and dwindling US crude inventories supported oil prices amid mobility curbs in China one of the largest consumer of oil.

- The latest EIA report showed US crude stockpiles declined by 4.553 million barrels last week to their lowest since October 2018 and compared to market expectations of a 1.904 million drop.

- However, China, the No. 2 oil consumer globally, has suspended some international flights and stepped up efforts to rein in a virus outbreak at Tianjin while the highly transmissible omicron variant has spread to the northeastern city of Dalian.

- Oil has now recovered most of the losses late last year that were driven by omicron and the US-led release of emergency reserves. A confluence of factors supported oil prices, including supply interruptions in Libya and Kazakhstan, concerns over the capacity of OPEC countries to deliver on planned increases and falling crude inventories in the US.

- We however expect oil price to trade slightly lower as investors remain cautious of a potential hit to demand from Covid-related curbs and a drop in mobility in Asia, as well as prospects of aggressive US interest rate hikes.

GOLD

GOLD SET FOR WEEKLY GAIN AS DOLLAR, YIELDS EASE

- Gold traded firmly above \$1,800 an ounce on Friday (14/01/2022), and was set for its best weekly gain since November, supported by a weaker dollar and Treasury yields as investors unwound hawkish bets on the US rates outlook.

- The December consumer price index rose at the fastest pace in nearly four decades but failed to support the dollar and Treasury yields further, as it came in line with expectations and has largely been priced in by the markets.

- Federal Reserve chair Jerome Powell also dashed expectations of a more aggressive tightening in a Congressional testimony earlier last week.

- Meanwhile, investors remained cautious of a hawkish surprise as Fed governor Lael Brainard became the latest and most senior US central banker to signal that the Fed is likely to start raising interest rates in March.

- We therefore expect gold price to remain stable as market participants gauge the global economic policy outlook, with inflation-based demand for bullion.

COCOA

COCOA HITS 4-WEEK HIGH

- Cocoa futures traded close to \$2600 a tonne in the second week of January, the highest since December 15th, 2021 amid firm demand and tight supplies. Data showed the cocoa grind in top producer Ivory Coast rose almost 2% year-on-year in December to 52,000 tonnes whereas on the supply side, cocoa arrivals at ports in Ivory Coast fell 6.4% year-on-year during October to January 9th period.

- Traders also expect improved demand conditions in fourth-quarter grinding data of Europe, Asia and the U.S., due this week. Meanwhile, light rains and mild seasonal winds in most of Ivory Coast's cocoa-growing regions raised outlooks for both October-to-March and April-to-September crops.

- Elsewhere, the International Cocoa Organization in its recent report projected that global demand for cocoa would go up by 4.9 million tonnes in the 2021/2022 cropping season whereas production would rise by 5.2 million tonnes due to better weather conditions in major producing countries.

- We therefore expect the price of cocoa to be stable in the week ahead as signs of strong global cocoa demand are supporting a rally in prices after the Cocoa Association of Asia on Friday reported Asia Q4 cocoa grindings rose +6.3% y/y to 231,309 MT, stronger than expectations of +2.3% y/y.

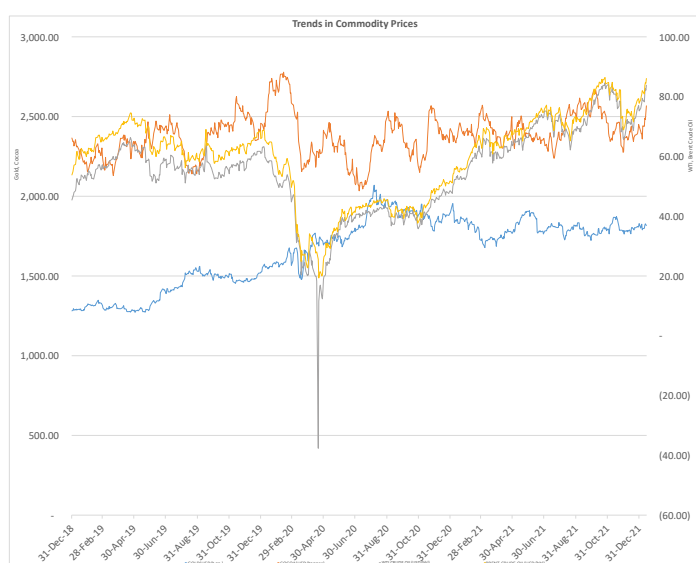
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,798.80	1,816.50	1,797.40	1.06
Cocoa ICCO	USD/ton	2,438.54	2,567.27	2,441.38	5.16
WTI Crude	USD/bbl	78.23	83.82	78.90	6.24
Brent Crude	USD/bbl	80.87	86.06	81.75	5.27

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,827.30	1,798.80	(0.66)	(1.89)
Cocoa ICCO	2,567.27	2,438.54	5.25	8.12
WTI Crude Oil	83.82	78.23	11.45	56.47
Brent Crude	86.06	80.87	10.65	52.53

Source: Bloomberg; International Cocoa Organization

Commodity Price, 01 Jan to date



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CHECKLIST FOR THE WEEKEND

- Disinfect your car*
- Disinfect the surfaces at home*
- Keep new nose masks in your car*
- Wash & Iron re-usable nose masks*
- Wear a mask when you go out of your house*



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