

Commodity Market Update

Date Issued | 24th January, 2022

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COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities edged up in price with the exception of the price of Cocoa.
- Gold price increased by 0.97% to end the week at \$1,834.10 compared to the previous week's price of \$1,816.50.
- On the other hand, Cocoa price weakened by 2.47% at \$2,503.86 to close the week compared to its price of \$2,567.27 in the previous week.
- Then again, WTI and Brent Crude appreciated in price by 1.57% and 2.13% at \$85.14 and \$87.89 respectively to close the trading week.
- On a year-to-date basis, the price of gold and cocoa went up by 0.30% and 2.65% respectively. Similarly, WTI and Brent crude oil advanced in price by 13.20% and 13.00% respectively.
- Year-on year, gold fell by 1.88% whilst Cocoa, WTI and Brent Crude surged by 3.02%, 60.25% and 56.67% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

EXTENDS GAINS FOR 5TH WEEK

- Oil prices extended gains for the fifth straight week to around \$85 per barrel on Friday (21/01/2022), hovering at seven-year highs, supported by ongoing supply concerns and prospects of strong demand.

- The International Energy Agency (IEA) said that OPEC+ produced about 800,000 barrels per day (bpd) below its production targets in December, and that the oil market could be in a significant surplus in the first quarter of this year.

- In addition, heightened geopolitical tensions following an attack by Yemen's Houthis on the United Arab Emirates have also provided some support.

- On the data front, both the API and EIA reports showed US crude stocks unexpectedly rose last week. According to official data from EIA, crude inventories in the US rose by 515,000 barrels last week, rising for the first time since November and defying market expectations for a 938,000 barrel drop.

- We therefore expect oil price to trade slightly lower pressured by an unexpected rise in U.S. crude and fuel inventories.

GOLD

GOLD HOVERS NEAR 2-MONTH HIGH

- Gold prices strengthened near 2-month highs around \$1,840 an ounce on Friday (21/01/2022) and was set for its second straight weekly gain, underpinned by inflation concerns, easing US bond yields and increased safe-haven demand.

- Persistent price pressures pushed the yellow metal higher as annual inflation rates soared to multi-decade highs across major economies, headlined by the US consumer price index which accelerated to its fastest pace in almost 40 years at 7% in December.

- Gold was also buoyed by easing US bond yields as the benchmark 10-year Treasury yield fell below 1.8% on Friday, after hitting a 2-year high of 1.9% earlier last week.

- Additionally, recent market volatility and geopolitical tensions lifted the bullion's safe-haven appeal.

- We therefore expect gold price to remain stable as investors remain cautious of a hawkish surprise ahead of the Federal Reserve's policy meeting on Jan. 25-26, 2022.

COCOA

COCOA FALLS AFTER Q4 NORTH AMERICAN COCOA DEMAND UNEXPECTEDLY DECLINES

- Cocoa prices on Friday (21/01/2022) fell sharply after an unexpected drop in North American cocoa demand. The National Confectioners Association reported that North American Q4 cocoa grindings unexpectedly fell -1.2% y/y to 116,614 MT, much weaker than expectations of a +4.6% y/y increase.

- London cocoa was also under pressure last week on concern a worsening pandemic in Europe may lead to travel restrictions that may curb chocolate demand. Germany reported a record 133,536 new Covid infections.

- Meanwhile, Ivory Coast's cocoa regulator is sticking with its forecast for a drop of about 10% in output for the 2021/2022 season, despite a pick-up in beans arriving at ports in the past three weeks.

- Yves Brahima Kone, chief executive of the Ivory Coast Cocoa and Coffee Council (CCC), and five pod counters polled by Reuters, said output for the October-to-March main crop was expected around 1.55 million tonnes compared with 1.75 million tonnes the previous year.

- They added the drop in production would accelerate between February and April, before recovering around May and June, during the start of the smaller April-September mid-crop.

- We therefore expect the price of cocoa to rebound in the week ahead on the back of tighter cocoa supplies from the Ivory Coast.

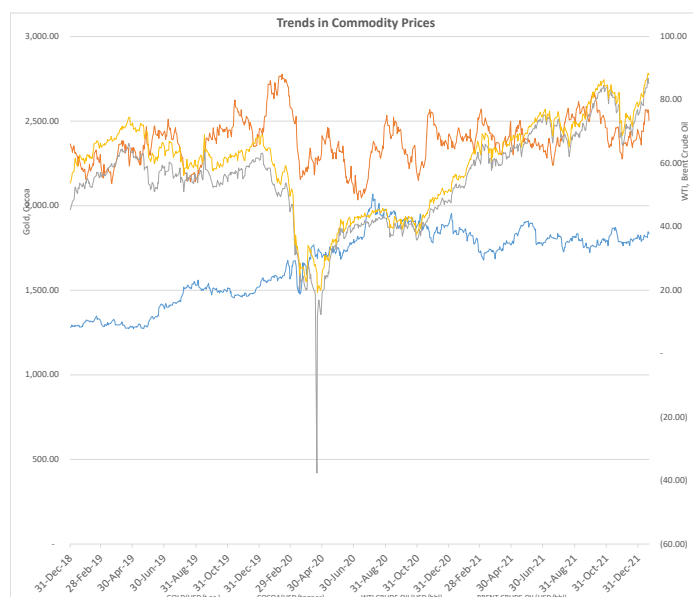
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,816.50	1,834.10	1,816.50	0.97
Cocoa ICCO	USD/ton	2,565.53	2,503.86	2,567.27	(2.47)
WTI Crude	USD/bbl	83.82	85.14	83.82	1.57
Brent Crude	USD/bbl	86.48	87.89	86.06	2.13

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,844.90	1,812.40	0.30	(1.88)
Cocoa ICCO	2,567.06	2,503.86	2.65	3.02
WTI Crude Oil	86.94	85.14	13.20	60.25
Brent Crude	88.44	86.48	13.00	56.67

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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