

Commodity Market Update

Date Issued | 7th February, 2022



COMMODITY MARKET OVERVIEW

- In the just ended week, the price of all tracked commodities appreciated in price.
- Gold price improved by 1.19% to end the week at \$1,807.80 compared to the previous week's price of \$1,786.60.
- As well, Cocoa price edged up by 6.44% at \$2,576.57 to close the week compared to its price of \$2,420.58 in the previous week.
- Also, WTI and Brent Crude increased further in price by 6.32% and 3.60% at \$92.31 and \$93.27 respectively to close the trading week.
- On a year-to-date basis, the price of gold went down by 1.14%. On the other hand, Cocoa, WTI and Brent crude oil gained in price by 5.63%, 22.74% and 19.92% respectively.
- Year-on year, the price of gold and cocoa inched up by 0.93% and 7.95% respectively. In the same way, WTI and Brent Crude was up by 64.17% and 58.51% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL HITS SEVEN-YEAR HIGHS AS RALLY EXTENDS TO A 7TH WEEK

- Oil prices surged to seven-year highs on Friday (04/02/2022), extending their rally into a seventh week on ongoing worries about supply disruptions fueled by frigid U.S. weather and ongoing political turmoil among major world producers.

- Brent crude rose 6.32% to settle at \$93.27 a barrel having earlier touched its highest since October 2014 at \$93.70. U.S. West Texas Intermediate crude ended 3.60%, higher at \$92.31 a barrel after trading as high as \$93.17, its highest since September 2014.

- The market's surge accelerated as buyers piled into crude contracts due to expectations that world suppliers will continue to struggle to meet demand.

- Oil markets have also gained support from geopolitical risks as major oil producer Russia has amassed thousands of troops on Ukraine's border, and is accusing the United States and its allies of fanning tensions.

- The Organization of the Petroleum Exporting Countries and allies led by Russia, together known as OPEC+, agreed last week to stick to moderate output increases, with the group already struggling to meet existing targets and despite pressure from top consumers to raise production more quickly.

- We therefore expect oil price to remain elevated as investors expect supply to tighten further even with OPEC+ announcing it will stick with the plan of moderate increase their output.

GOLD

GOLD STABILIZES AS WEAK DOLLAR LENDS SUPPORT

- Gold prices stabilized above \$1,800 an ounce on Friday (04/02/2022), as a weaker dollar helped counteract pressure from a jump in US Treasury yields.

- The dollar had fallen to an over 2-week low against major currencies as traders reassessed the direction of monetary policy globally, making gold less expensive for other currency holders.

- The Bank of England raised rates by 25 bps to 0.5%, as widely expected, although nearly half of its policymakers wanted a bigger increase to tame inflation. The European Central Bank, meanwhile, kept rates unchanged, but ECB president Christine Lagarde declined to rule out a rate hike this year citing mounting inflation risks.

- We still expect gold price to trade slightly higher as investors weigh prospects of a faster tightening from central banks around the world against jitters of persistently high inflation and geopolitical concerns in Ukraine.

COCOA

COCOA POSTS 2-WEEK HIGHS ON DRY CONDITIONS IN WEST AFRICA

- Cocoa prices Friday (04/02/2022) rallied to a 2-week high amid concerns the seasonal Harmattan winds in West Africa will dry out cocoa crops and reduce cocoa mid-crop output in the Ivory Coast and Ghana. Some cocoa farmers in the Ivory Coast have reported inadequate soil moisture levels due to the Harmattan winds and a lack of rain.

- Also supporting cocoa prices was the tighter cocoa supplies globally after ICE-monitored U.S. cocoa inventories fell to a 9-1/2-month low, down from the record high of 5.86 mln bags posted on June 30. Also, ICE-monitored EU cocoa inventories fell to a 9-1/2-month low.

- Similarly, the outlook for a smaller cocoa crop in Ghana was 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.

- An improvement in the pandemic is also supporting cocoa prices. The 7-day average of new U.S. Covid infections fell to a 5-week low of 362,536, which may ease travel restrictions and boost chocolate demand as more travelers flock to airports, a significant source of chocolate sales.

- We therefore expect the price of cocoa to remain stable this week due to the unfavourable supply side issues owing to the seasonal Harmattan winds in West Africa.

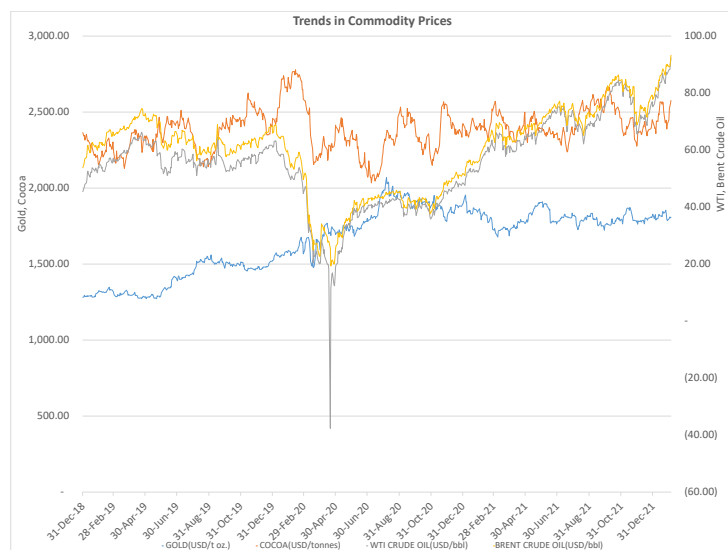
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,796.40	1,807.80	1,786.60	1.19
Cocoa ICCO	USD/ton	2,448.05	2,576.57	2,420.58	6.44
WTI Crude	USD/bbl	88.15	92.31	86.82	6.32
Brent Crude	USD/bbl	89.26	93.27	90.03	3.60

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,810.30	1,796.40	(1.14)	0.93
Cocoa ICCO	2,576.57	2,448.05	5.63	7.95
WTI Crude Oil	92.31	88.15	22.74	64.17
Brent Crude	93.27	89.16	19.92	58.51



Source: Bloomberg; International Cocoa Organization

Commodity Price, 01 Jan to date



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"Of late,
I dey feel severe
chest pains and cough.
I for hide my symptoms
before boys go
label me as
COVID-19 patient!"

**Stigma prevents people from
seeking the needed medical attention.**

#StopTheStigma



**When you see this,
wash your hands.**



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