

Commodity Market Update

Date Issued | 28st February, 2022



COMMODITY MARKET OVERVIEW

- In the just ended week, the price of gold and cocoa tumble whilst WTI and Brent Crude improved in price.
- Gold price edged lower by 0.64% to end the week at \$1,887.60 compared to the previous week's price of \$1,899.80.
- In the same way, Cocoa price fell by 1.82% at \$2,487.02 to close the week compared to its price of \$2,533.16 in the previous week.
- On the other hand, WTI and Brent Crude advanced in price by 0.57% and 4.69% at \$91.59 and \$97.93 respectively to close the trading week.
- On a year-to-date basis, the price of gold and cocoa edged up by 3.23% and 1.96% respectively. Likewise, WTI and Brent crude oil also increased in price by 21.78% and 25.91% respectively.
- Year-on year, the price of cocoa depreciated by 1.31%. However, gold, WTI and Brent Crude went up by 6.32%, 44.17% and 46.43% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL EDGES UP AS TRADERS MULL RUSSIA SANCTIONS

- Oil prices traded higher on Friday (25/02/2022) following a dramatic week that saw oil prices hit \$100 before giving up gains, amid concerns that financial sanctions on Russia may disrupt global fuel supply chains.

- Oil has earlier pared most of Thursday's gains as US president Joe Biden unveiled new sanctions on Russia, but made it clear that Western powers were not willing to sacrifice their own economies to penalize Moscow for invading Ukraine.

- Biden also addressed energy supply concerns, saying the US will work with other major consuming nations on a coordinated reserves release.

- Japan and Australia indicated they may be part of an international reserves release, but China said it had no immediate plans to intervene in oil markets.

- Meanwhile, US crude stockpiles continued to slide at Cushing, Oklahoma, approaching critical levels which could spur further oil price run ups.

- Also, investors are closely monitoring the Iran nuclear talks amid signs of progress. A potential deal could add more than 1 million barrels a day of supply and help ease a tight global market.

- We therefore expect oil price to soar after Western nations imposed more sanctions on Russia raising fears of supply disruptions from one of the world's largest producers of oil and gas.

GOLD

GOLD SLIPS BELOW \$1900

- Gold prices slipped below \$1,890 on Friday (25/02/2022), losing their momentum from the previous week as concerns over the economic impact of the Russia-Ukraine conflict eased after US president Joe Biden unveiled new sanctions on Russia, but made it clear that Western powers were not willing to sacrifice their own economies.

- Also, the PCE price index in US, the Fed's preferred inflation gauge, rose 6.1% y-o-y in January, the fastest pace since 1982, while consumer spending beat forecasts reflecting consumers' resilience to increasing price pressures.

- Meanwhile, markets are closely monitoring the ongoing crisis in Ukraine, as president Volodymyr Zelensky vowed on Friday (25/02/2022) to stay in Kyiv as his troops battled Russian invaders who are advancing toward the capital in the biggest attack on a European state since World War Two.

- We however expect gold price to stabilize in the coming week as investors reassess risks arising from Russia's invasion of Ukraine and the impact of fresh Western sanctions against Moscow.

COCOA

COCOA FALLS ON CONCERN CHOCOLATE DEMAND WILL SUFFER IF GLOBAL ECONOMY SLOWS

- Cocoa prices traded at a 1-month low of around \$2600 an ounce as investors were weighting expectations of lower global demand against supply constraints.

- Consumption of goods like chocolate is set to decrease as the geopolitical crisis connected with Russian invasion of Ukraine is set to put some curbs on travel and in turn airports, at which most of the sales occur. This comes at a time when the demand for chocolate is still recovering from the pandemic.

- Meanwhile, fears of low supplies amid dry conditions in top producer Ivory Coast limited further losses. Farmers worried that continuous lack of rains in top growing regions of Ivory Coast has damaged the quality of beans and could reduce the size of the April-to-September mid-crop.

- At the same time, buyers have been hurrying to buy good beans as the quality and size declines. Meanwhile, data showed that Ghana's graded and sealed (G&S) cocoa arrivals fell 44% during Oct 1,2021-Jan 27,2022 period.

- We however expect the price of cocoa to trade sideways this week on concern that Russia's invasion of Ukraine will lead to a surge in energy prices that derails the global economy. A slump in the economy could curb consumer spending and reduce chocolate sales and consumption.

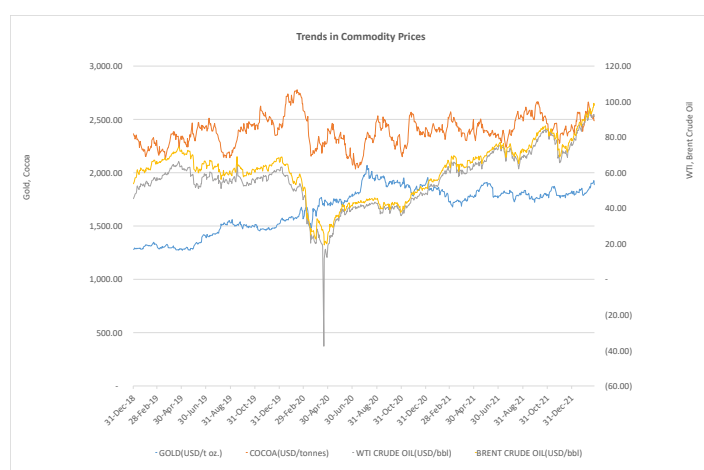
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,899.80	1,887.60	1,899.80	(0.64)
Cocoa ICCO	USD/ton	2,509.37	2,487.02	2,533.16	(1.82)
WTI Crude	USD/bbl	91.07	91.59	91.07	0.57
Brent Crude	USD/bbl	95.39	97.93	93.54	4.69

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,926.30	1,887.60	3.23	6.32
Cocoa ICCO	2,544.20	2,487.02	1.96	(1.31)
WTI Crude Oil	92.81	92.81	21.78	44.17
Brent Crude	99.08	95.39	25.91	46.43



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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