

Commodity Market Update

Date Issued | 11th January, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, Gold and cocoa depreciated in price while WTI and Brent Crude on the other hand appreciated in price.

- Gold price declined by 3.15% to \$1,835.40 compared to the previous week's price of \$1,895.10

- WTI and Brent Crude improved by 7.67% and 8.09% to \$52.24 and \$55.99 respectively to end the trading week.

- Cocoa price dipped by 2.80% at \$2,356.44 to close the week compared to its price of \$2,424.35 in the previous week.

- On a year-to-date basis, gold and cocoa fell by 3.15% and 2.80% respectively whereas WTI and Brent crude oil advanced by 7.67% and 8.09% respectively.

- Year-on-year, gold was up by 17.64% while cocoa went down by 3.29%. WTI and Brent crude oil similarly decreased by 12.36% and 14.44% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL RISES TO 11-MONTH HIGH, LOGS WEEKLY GAIN ON SAUDI OUTPUT CUT

- Oil prices hit their highest level in nearly a year on Friday (08/01/2021), gaining 8% on the week, supported by Saudi Arabia's pledge to cut output and strong gains in major equity markets.

- Brent crude settled at \$55.99 a barrel, climbing \$1.61, or 3%, on the day and 8.09% on the week. West Texas Intermediate crude futures (WTI) closed at \$52.24 a barrel, gaining \$1.41, or 2.8%, also it's highest since late February. WTI posted a weekly gain of 7.7%.

- Saudi Arabia this week pledged extra, voluntary oil output cuts of 1 million barrels per day (bpd) in February and March as part of a deal under which most OPEC+ producers will hold production steady during new lockdowns.

- Also the kingdom, the de facto leader of the Organization of the Petroleum Exporting Countries, was at odds with some other producers that wanted to boost output to head off U.S. shale companies from capturing more market share. Eventually, an agreement was reached to allow Russia and others to boost output while the Saudis restrict theirs.

- We therefore expect oil prices to be weighed in the coming week if fuel demand remains constrained by the pandemic. Strict restrictions on travel and other activity around the world to contain a surge in COVID-19 cases are weighing on fuel sales, weakening the prospect of an energy demand recovery in the first half of 2021.

GOLD

GOLD BUCKLES UNDER FIRMER DOLLAR, BOND YIELDS AHEAD OF PAYROLL DATA

- Gold fell below the key \$1,900 technical level on Friday (08/01/2021) and was on track for a weekly decline, pressured by gains in the dollar and Treasury yields ahead of U.S. nonfarm payroll data that could give further clues on the country's economic health.

- A stronger dollar makes bullion more expensive for holders of other currencies, while higher bond yields increase the opportunity cost of holding the non-interest yielding gold.

- Democrats' control of the U.S. Senate has fuelled hopes of large stimulus measures and boosted inflation expectations, underpinning gold's appeal as an inflationary-hedge.

- But higher inflation expectations and bond yields have also bolstered Federal Reserve officials' hopes that the central bank's new monetary policy approach is taking hold.

- Although Gold still harbors the potential to reclaim the \$2,000 handle, there appears to be a risk of a pullback in the Fed's asset purchasing program should a U.S. economic outperformance crystallize in the latter part of the year.

- We therefore expect gold price to rebound in the coming week as hopes for additional U.S.fiscal stimulus under incoming President Joe Biden could boost the metal's appeal.

COCOA

COCOA PRICES CLOSE MODERATELY LOWER ON A STRONGER DOLLAR

- Cocoa prices on Friday (08/01/2021) posted moderate losses as a stronger dollar on Friday pressured most commodity prices. NY cocoa dropped to a 2-week low and London cocoa posted a 1-1/2 month low.

- Cocoa prices were also undercut by favorable weather in West Africa. A weak Harmattan, a seasonal wind from the Sahara desert that blows across West Africa, has benefitted Ivory Coast cocoa crops. Farmers across the Ivory Coast have reported mild Harmattan winds so far this year, with continued rain boosting cocoa crop yields.

- Cocoa prices remain under pressure from concern that the worsening Covid pandemic will lead to stricter lockdowns that will force restaurants and shops to close and hurt chocolate demand.

- The UK closed schools and all social activities and extended its lockdown until at least February 15 after Covid hospitalizations soared to nearly 27,000, a 30% increase in a week. Also, Germany on Tuesday extended its lockdowns to January 31 from January 10, 2021.

- We therefore expect the price of Cocoa to trade sideways on concern about weak cocoa demand due to the lockdowns.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,946.60	1,835.40	1,895.10	(3.15)
Cocoa ICCO	USD/ton	2,394.80	2,356.44	2,424.35	(2.80)
WTI Crude	USD/bbl	47.62	52.24	48.52	7.67
Brent Crude	USD/bbl	51.09	55.99	51.80	8.09

Source: Bloomberg; International Cocoa Organization

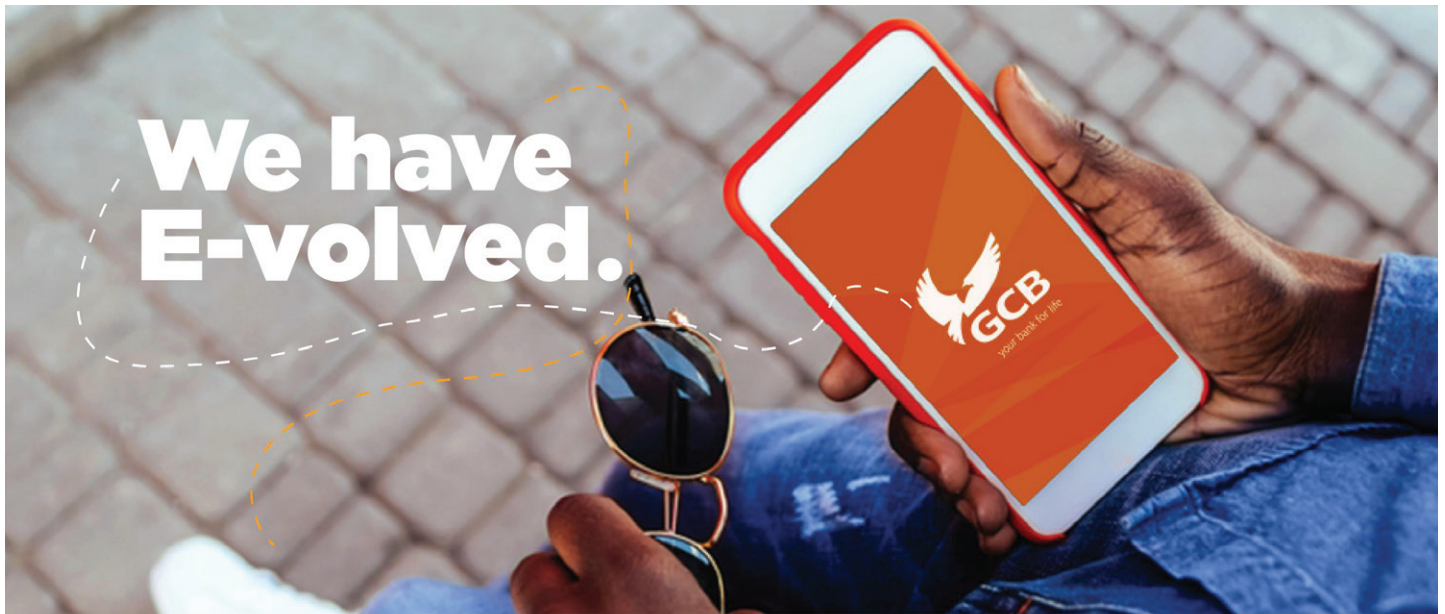
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,954.40	1,835.40	(3.15)	17.64
Cocoa ICCO	2,394.80	2,342.41	(2.80)	(3.29)
WTI Crude Oil	52.24	47.62	7.67	(12.36)
Brent Crude	55.99	51.09	8.09	(14.44)

Source: Bloomberg; International Cocoa Organization



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