

Commodity Market Update

Date Issued | 18th January, 2021

COMMODITY MARKET OVERVIEW

- In the just ended week, Gold and Brent Crude fell in price while Cocoa and WTI Crude on the other hand gained in price.

- Gold price was down by 0.30% to \$1,829.90 compared to the previous week's price of \$1,835.40

- WTI improved by 0.23% to \$52.36 whereas Brent Crude went down by 1.59% to \$55.10 to end the trading week.

- Cocoa price inched up by 1.94% at \$2,402.04 to close the week compared to its price of \$2,356.44 in the previous week.

- On a year-to-date basis, gold and cocoa edged lower by 3.44% and 0.92% respectively whereas WTI and Brent crude oil increased by 7.91% and 6.37% respectively.

- Year-on year, gold and cocoa improved by 42.03% and 7.45% respectively. WTI advanced by 0.48% whereas Brent crude oil reduced by 9.14%.

MARKET UPDATE AND OUTLOOK

CRUDE OIL OIL ENDS LOWER, RETREATING FROM RECENT GAINS AS COVID CASES RISE

- Brent Crude fell more than 1% on Friday (15/01/2021), with both contracts posting a loss on the week as concerns about Chinese cities in lockdown due to coronavirus outbreaks tempered a rally driven by strong import data from the world's biggest crude importer.

- Brent fell \$1.32, or 2.3%, to settle at \$55.10 a barrel. U.S. West Texas Intermediate crude settled down \$1.21, or 2.3%, at \$52.36 a barrel.

- Both benchmarks, which hit their highest in nearly a year earlier in the week with Brent down by 1.59% on the week and U.S. crude slightly up by 0.23%.

- While producers are facing unparalleled challenges balancing supply and demand equations with evolving vaccine rollouts versus lockdowns, financial contracts have been boosted by strong equities and a weaker dollar, which makes oil cheaper, along with strong Chinese demand. These positives were called into question on Friday (15/01/2021) as the dollar rose and China ramped up lockdown measures.

- The COVID-19 pandemic's spread is taking center stage again and traders are getting increasingly worried about the long duration of European lockdown and about the new restrictions, we therefore expect oil prices to be weighed in the coming week on concerns that rising global COVID-19 will hamper global fuel demand.

GOLD GOLD ON BACK FOOT AHEAD OF BIDEN'S U.S. STIMULUS PLAN

- Gold prices fell on Friday (15/01/2021) and the metal was heading for a second straight weekly drop as the dollar continued its upturn, overshadowing bullion's appeal as an inflation hedge after the U.S. president-elect proposed a new \$1.9 trillion stimulus package.

- Also, U.S. Treasury yields held near 10-month highs, with markets waiting for President-elect Joe Biden to reveal details of his stimulus plan weighed on gold price.

- We therefore expect gold price to soar in the coming week on the prospect of extended U.S. fiscal stimulus and accommodative monetary policies.

COCOA COCOA PRICES SETTLE AT 1-WEEK HIGHS ON STRONGER-THAN-EXPECTED Q4 COCOA GRINDINGS

- Cocoa prices on Friday (15/01/2021) posted moderate gains, with NY cocoa at a 1-week high and London cocoa at a 1-1/2 week high. Cocoa prices rallied Friday on better-than-expected global Q4 grinding data. Asia Q4 cocoa grindings fell -4.2% y/y to 217,546 MT, a smaller decline than expectations of -9% y/y.

- Also, North American Q4 cocoa processing unexpectedly rose +7% y/y to 118,043 MT, stronger than expectations of a decline of -2.5% y/y and the highest for a Q4 in 5 years. On Thursday, data showed that Malaysia's Q4 cocoa grindings fell -2.5% y/y to 87,163 MT and that Malaysia's total 2020 cocoa grindings dropped -8.1% y/y to 315,911 MT.

- We expect the price of Cocoa to remain pressured on the back of surging coronavirus cases in Europe, new lockdowns in China and Britain.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,850.80	1,829.90	1,835.40	-0.30
Cocoa ICCO	USD/ton	2,334.85	2,402.04	2,356.44	1.94
WTI Crude	USD/bbl	52.25	52.36	52.24	0.23
Brent Crude	USD/bbl	55.66	55.10	55.99	-1.59

Source: Bloomberg; International Cocoa Organization

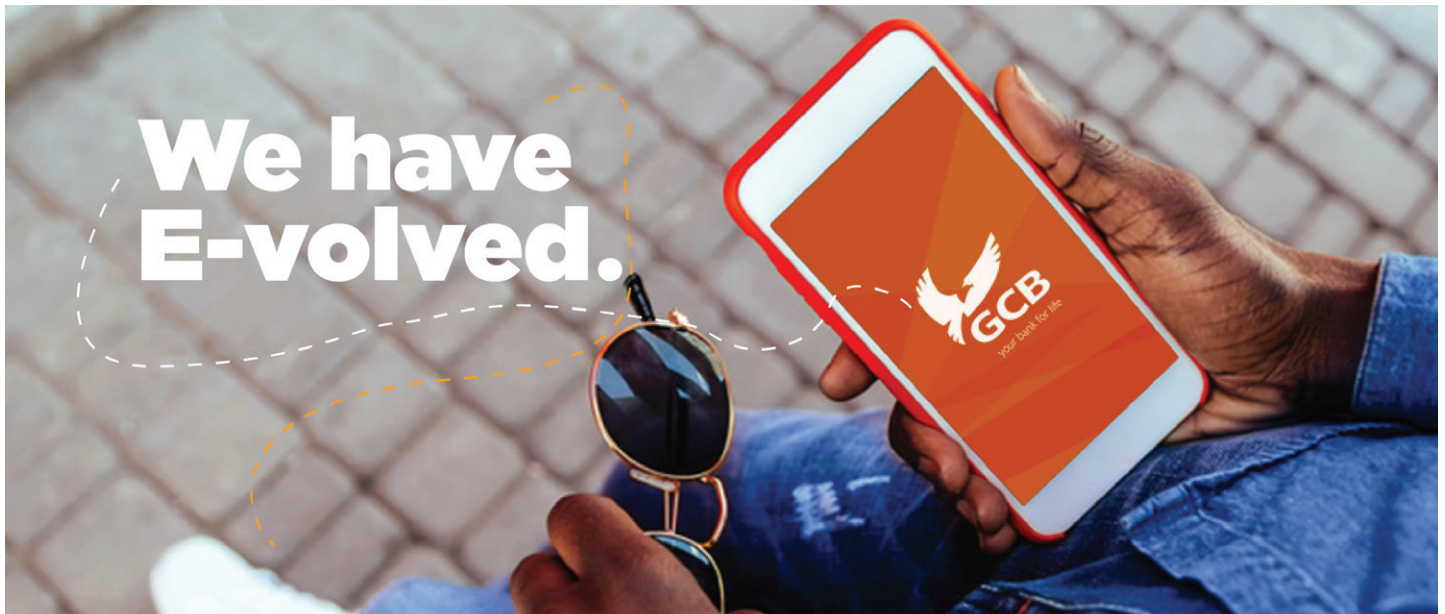
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,854.90	1,829.90	(3.44)	42.03
Cocoa ICCO	2,402.04	2,334.85	(0.92)	7.45
WTI Crude Oil	53.57	52.25	7.91	0.48
Brent Crude	56.58	55.10	6.37	(9.14)

Source: Bloomberg; International Cocoa Organization



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