

Commodity Market Update

Date Issued | 28th September, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, prices of all tracked commodities in our basket depreciated.
- Gold dipped by 4.88% to \$1,866.30 compared to the previous week's price of \$1,962.10.
- WTI and Brent Crude decreased by 2.09% and 2.85% to \$40.25 and \$41.92 respectively to end the trading week.
- Cocoa price also weakened by 2.57% at \$2,436.65 to close the week compared to its price of \$2,500.92 in the previous week.
- On a year-to-date basis, gold went up by 22.53% whereas cocoa dropped in price by 0.85%. WTI and Brent crude oil also declined by 34.08% and 36.48% correspondingly.
- Year-on year, gold and cocoa increased by 23.45% and 1.13% respectively. WTI and Brent crude oil decreased by 28.90% and 32.84% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL FALLS ON MOUNTING COVID-19 CASES, SUPPLY CONCERNS

- Oil edged lower on Friday (25/09/2020), falling more than 2% this week as COVID-19 cases surged globally and oil supply was set to rise in the coming weeks.

- In the United States, infections rose in the Midwest, while New York City, having been hit hardest in the spring, considered renewing shutdown mandates. More than 200,000 people have died of the virus in the nation.

- U.S. fuel consumption remains sluggish as the pandemic constrains travel and hampers economic recovery. The four-week average of gasoline demand last week was 9% below a year earlier.

- At the same time, more crude oil entering the global market beefed up supply and pushed prices lower.

- However, OPEC Secretary General Mohammad Barkindo said on Sunday (27/09/2020) that commercial oil inventories in OECD countries are expected to stand only slightly above the five-year average in the first quarter of 2021, before falling below that level for the rest of the year.

- We therefore expect Crude oil prices to remain pressured as dollar strength and macroeconomic uncertainty are likely to keep dominating oil's agenda this week.

GOLD

GOLD SET FOR BIGGEST WEEKLY DROP IN SIX AS DOLLAR ADVANCES

- Gold prices fell on Friday (25/09/2020) and were on track for their biggest weekly fall in six weeks, hurt by a resilient dollar, which benefited from increased risk aversion at bullion's expense.

- Gold fell hovering near last session's over two-month low, as investors sought shelter in the dollar from rising coronavirus cases and uncertainties over the next U.S. stimulus to aid the economy.

- The greenback was on course for its biggest week of gains since early April, denting gold's appeal to holders of other currencies.

- A stronger dollar makes commodities priced in the currency, like gold, more expensive for buyers using other monetary units.

- The Federal Reserve this week talked up the importance of more fiscal stimulus amid investor fears of another economic hit from the coronavirus pandemic.

- We therefore expect gold price to rebound in the coming week due to its safe haven appeal as a result of global economic uncertainty due to Covid-19.

COCOA

COCOA PRICES SETTLE LOWER AS DOLLAR STRENGTH SPARKS LONG LIQUIDATION

- Cocoa prices on Friday (25/09/2020) settled lower as a rally in the dollar index to a 2-month high undercut most commodity prices, including cocoa.

- On Monday (21/09/2020), Henri Bedie, the main opposition candidate for Ivory Coast President next month, called for civil disobedience to stop Ivory Coast President Ouattara from seeking a third term. The markets are concerned that any civil unrest could disrupt cocoa supplies ahead of the country's presidential election on Oct 31.

- Also, the Ivory Coast government last Tuesday (22/09/2020) extended a ban on public protests until Sep 30, 2020 in order to prevent disturbances of public order. At least a dozen people have been killed in the Ivory Coast and several hundred injured since Ivory Coast President Ouattara announced last month that he would seek a controversial third term.

- This therefore is likely to impact positively on the price of cocoa this week.

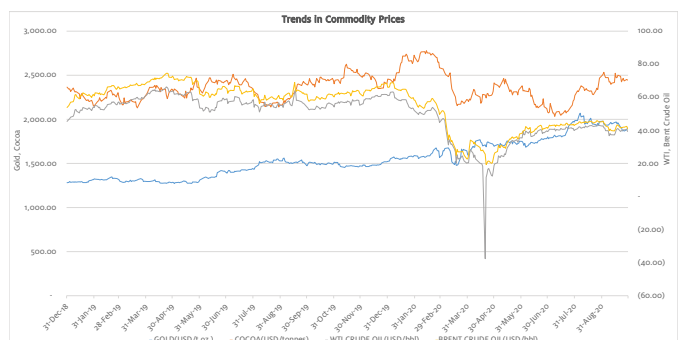
COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close
Gold (Comex)	USD/oz	1,910.60	1,866.30	1,962.10
Cocoa ICCO	USD/ton	2,488.94	2,436.65	2,500.92
WTI Crude	USD/bbl	39.31	40.25	41.11
Brent Crude	USD/bbl	41.44	41.92	43.15

Source: Bloomberg; International Cocoa Organization

WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,910.60	1,866.30	22.53	23.45
Cocoa ICCO	2,488.94	2,425.75	(0.85)	1.13
WTI Crude Oil	40.31	39.31	(34.08)	(28.90)
Brent Crude	41.94	41.44	(36.48)	(32.84)

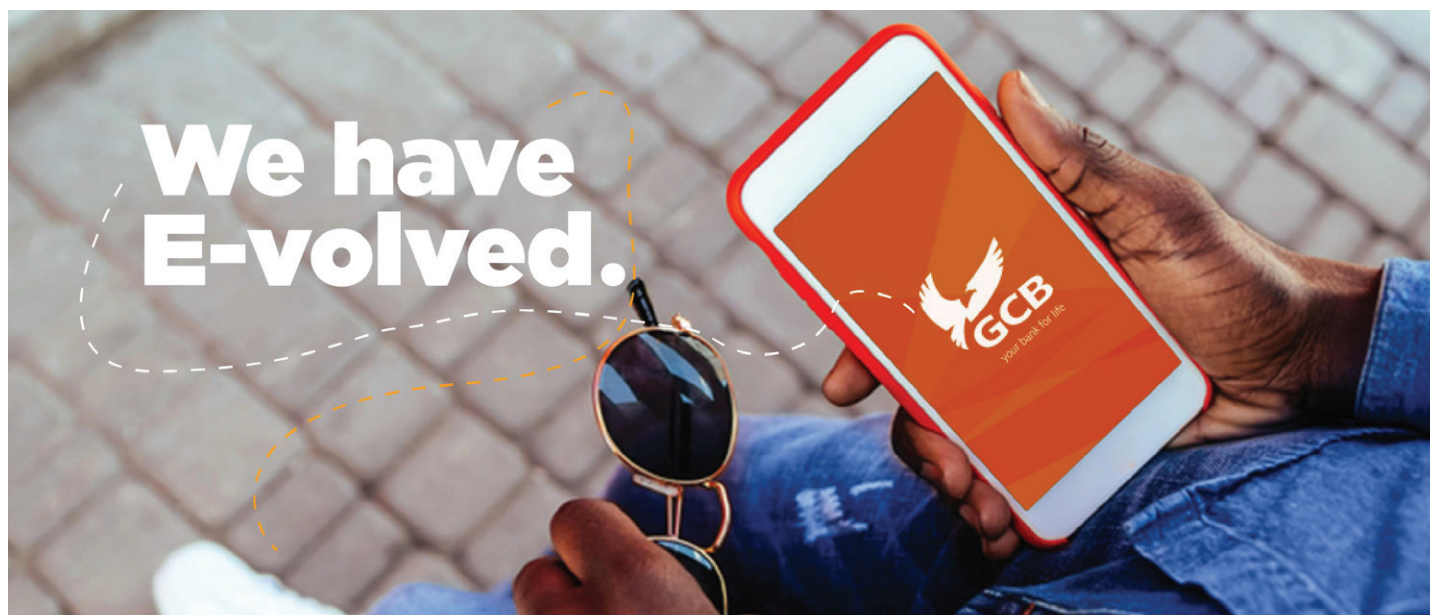
Source: Bloomberg; International Cocoa Organization

Commodity Price, 01 Jan to date



Commodity Market Update

Date Issued | 28th September, 2020



Customer Service: 0202 111 177 0264 270 236

WhatsApp: 0202 422 422

Web: www.gcbbank.com.gh

Toll Free: 0800 422 422

Follow GCBBankLimited



Research Contacts

Lawson Oppong-Asante

Email: loppong-asante@gcb.com.gh

Tel: 0302 66 4910 -18

Adomako Osei-Frimpong

Email: aofrimpong@gcb.com.gh

Tel: 0302 66 4910 -18

Michael Bedjarah

Email: mbedjarah@gcb.com.gh

Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare

Email: akasare@gcb.com.gh

Tel: 0302 611 762

Daniel Boateng

Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link

P. O. Box 134, Accra

Tel: +233 (0)302 664910

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.