

Commodity Market Update

Date Issued | 30th November, 2020

COMMODITY MARKET OVERVIEW

- In the just ended week, prices of all commodities in our basket of tracked commodities appreciated in price with the exception of Gold.

- Gold was down by 4.80% to \$1,788.10 compared to the previous week's price of \$1,878.20.

- WTI and Brent Crude went up by 7.33% and 7.16% to \$45.53 and \$48.18 respectively to end the trading week.

- Cocoa price also increased by 0.78% at \$2,554.35 to close the week compared to its price of \$2,534.50 in the previous week.

- On a year-to-date basis, gold and cocoa inched up by 17.40% and 3.94% respectively. WTI and Brent crude oil on the other hand was down by 25.43% and 27.00% respectively.

- Year-on year, gold and cocoa gained 22.41% and 1.32% respectively. WTI and Brent crude oil on the other hand decreased by 21.65% and 24.79% respectively.

MARKET UPDATE AND OUTLOOK

CRUDE OIL

OIL PRICES POST WEEKLY GAIN AHEAD OF OPEC+ MEETING

- Oil prices were mixed on Friday (27/11/2020) but posted a fourth straight week of gains ahead of an OPEC+ meeting early next week.

- Encouraging news on potential COVID-19 vaccines from Pfizer, AstraZeneca and others have lifted the markets.

- Also, the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia are leaning towards delaying next year's planned increase in oil output, said three sources close to the OPEC+ group.

- Thus OPEC+ was planning to raise output by 2 million barrels per day (bpd) in January - about 2% of global consumption - after record supply cuts this year. OPEC+ ministers are due to meet from Monday (30/11/2020).

- We therefore expect oil prices to remain stable as the market expects prices to see a limited increase if OPEC+ indeed does what is expected and changes its planned route, postponing a planned supply increase from January.

GOLD

GOLD DIVES BELOW \$1,800 ON OPTIMISM FOR ECONOMIC RECOVERY

- Gold slumped about 4%, breaking below the key \$1,800 support level to a near five-month low on Friday (27/11/2020), as growing optimism about a quick vaccine-fuelled economic recovery and a smooth White House transition powered U.S. equities to records.

- Further weighing on gold, U.S. equities raced to a record on vaccine optimism and as investors bet on calmer global trade under a Joe Biden administration in the United States.

- Also, bets for more monetary easing ahead of testimony in Congress from U.S. Federal Reserve Chairman Jerome Powell this week, helped to push the dollar to a more than two-year low and boosted world shares.

- We therefore expect gold price to remain pressed in the coming week as optimism over a swift vaccine-fuelled economic recovery would dent the allure for safe haven.

COCOA

COCOA PRICES SETTLE HIGHER AND COULD CONSOLIDATE BELOW THE WEEK'S MAJOR HIGHS

- Cocoa prices have rallied sharply over the past week, as Mar NY and London cocoa posted contract highs last Friday (27/11/2020) and nearest-futures (Dec 20) NY cocoa surged to a 4-1/4 year high.

- Cocoa prices have soared on the recent news that Hershey, one of the top chocolate makers in the world, bought cocoa beans via ICE NY cocoa futures inventories instead of purchasing them directly in the physical market.

- Those purchases sent December NY cocoa futures to a record premium over the March contract. Hershey is buying the ICE inventories in an attempt to circumvent paying the \$400-a-ton premium Ivory Coast and Ghana added to their beans to boost farmer incomes.

- NY cocoa futures have risen more than London cocoa futures on Hershey's actions since ICE NY cocoa inventories are considered more attractive as London cocoa inventories contain cocoa from Cameroon, which is a lower quality cocoa that few cocoa processors can use in large amounts.

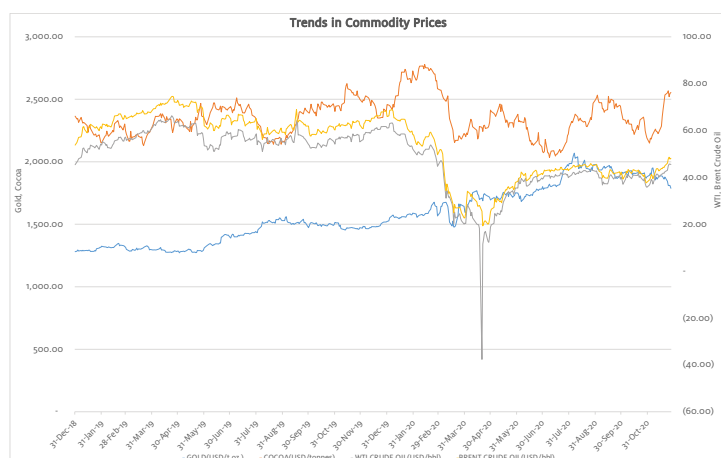
- Hershey's maneuver may prompt other cocoa users to do the same, which could push cocoa futures prices higher. We therefore expect the price of Cocoa to remain elevated in the coming week.

COMMODITY	Unit	Price (week start)	Price (week close)	Previous week close	Wkly (%Δ)
Gold (Comex)	USD/oz	1,844.10	1,788.10	1,878.20	(4.80)
Cocoa ICCO	USD/ton	2,550.99	2,554.35	2,534.50	0.78
WTI Crude	USD/bbl	43.06	45.53	42.42	7.33
Brent Crude	USD/bbl	46.06	48.18	44.96	7.16

Source: Bloomberg; International Cocoa Organization

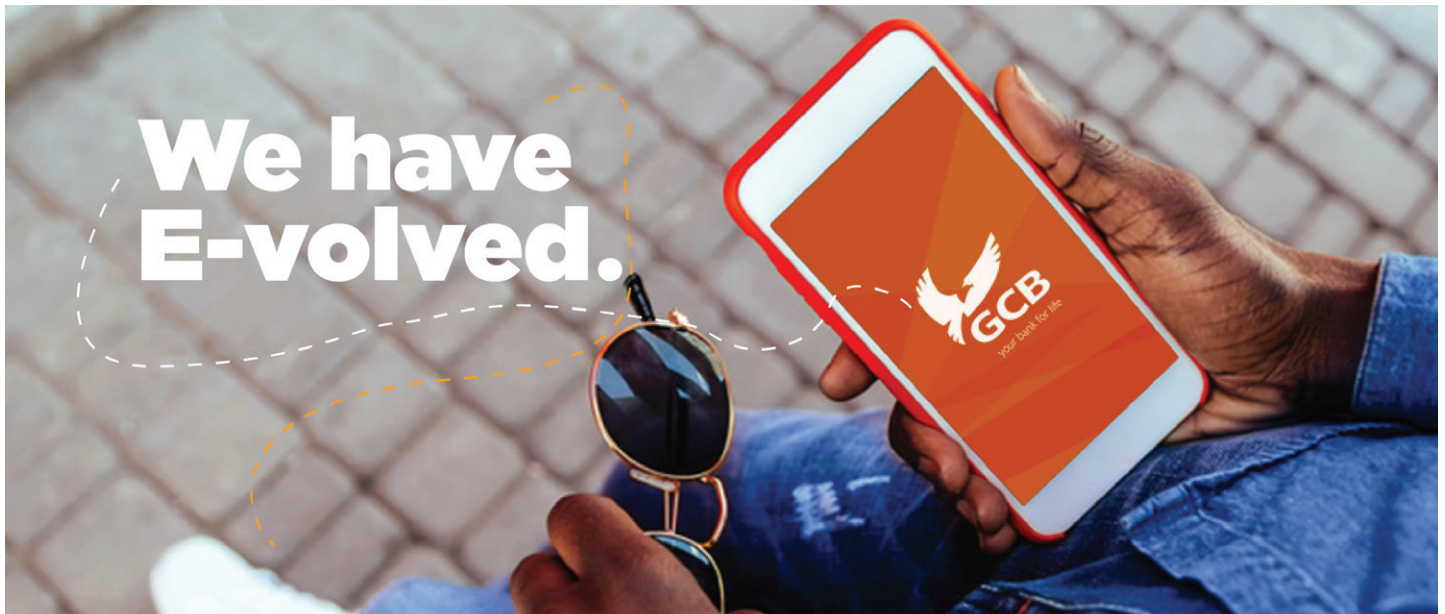
WEEKLY HIGHS AND LOWS				
COMMODITY	Weekly high	Weekly low	YTD (%Δ)	YoY (%Δ)
Gold (Comex)	1,844.10	1,788.10	17.40	22.41
Cocoa ICCO	2,568.24	2,521.32	3.94	1.32
WTI Crude Oil	45.71	43.06	(25.43)	(21.65)
Brent Crude	48.61	46.06	(27.00)	(24.79)

Source: Bloomberg; International Cocoa Organization



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