

The Commodities Feed: All eyes on Jackson Hole

Oil prices managed to settle higher yesterday, breaking a four-day losing streak. For today, all attention will be on Jackson Hole



US Federal Reserve
Chairman Jerome
Powell

Energy – Refinery margins under renewed pressure

Oil prices staged a recovery yesterday. ICE Brent rallied 1.54%, and settled back above US\$77/bbl. This breaks a four-day streak of declines, which had pushed the market towards oversold territory. OPEC+ will still be concerned about the recent weakness in the market and as we previously mentioned, it is increasingly likely that the group will have to ditch plans to start increasing supply from October. However, this will depend on where the market is trading towards the end of September.

There is little on the calendar today for the energy market, instead, participants will be focused on Fed Chair Powell's speech at Jackson Hole. Markets are hoping that Powell sheds some more light on what the Fed may do at its September meeting. Although with a US jobs report still set to be released between Jackson Hole and the next FOMC, Powell may choose not to make too strong a statement.

The latest refined products inventory data from Insights Global was fairly bearish for middle distillates. Gasoil stocks in the ARA region increased by 72kt WoW to 2.35mt - the highest level

since June last year. Similarly, jet fuel inventories in the region increased by 58kt over the week to 969kt. In Singapore, total oil product stocks increased by 1.32m barrels WoW to 46.58m barrels. Well-supplied refined product markets and lingering demand concerns continue to put pressure on refinery margins which hit YTD lows this week.

US natural gas prices sold off heavily yesterday. Front-month Henry Hub futures settled 5.7% lower on the day and closed just above US\$2/MMBtu. This is after weekly EIA data showed that US natural gas storage increased by more than expected over the last week. Storage grew by 35Bcf compared to expectations for a 25Bcf increase. Total US storage stands at 3,299Bcf, up 7.2% YoY and 12.6% above the 5-year average.

Finally, train 2 at the Ichthys LNG export facility in Australia has been shut since 20 August due to unplanned work. This is the second outage at Ichthys over the last month. The facility is made up of two trains with a total capacity of 8.9mtpa. There are also reports that Petronas in Malaysia has asked buyers to accept delays due to an outage at its LNG export facilities.

Metals - Chinese zinc smelters agree on production cuts

Chinese zinc smelters have agreed to adjust production amid low treatment charges, according to Beijing Antaike. Some 14 smelters with a combined annual capacity of 4.17m tonnes, or 70% of the country's total, have agreed to adjust their maintenance plans, increase the use of secondary raw materials and delay new capacity, to cope with the drop in treatment fees. Spot treatment charges on imported ore have recently dropped below zero amid tight supplies of concentrate globally and subdued demand. The agreement came at an industry gathering in Inner Mongolia on Wednesday, which was organized by Antaike. Zinc output in China has already eased from the record highs of 661kt in December to 536kt in July – a one-year low.

Global steel production declined by 4.7% YoY to 152.8mt in July amid lower output from major producers, including China, Japan, Russia and South Korea, the latest data from the World Steel Association (WSA) shows. Cumulatively, global steel output fell marginally by 0.7% YoY to 1,107.2mt over the first seven months of the year. Chinese steel production fell 9% YoY to 82.9mt last month, while cumulative output declined 2.2% YoY to 613.7mt in Jan'24-Jul'24. Production in Japan, South Korea and Russia decreased by 3.8% YoY, 3.4% YoY and 3.1% YoY respectively in July.

Agriculture – CONAB lowers sugar output estimates

In its monthly report, Brazil's agriculture agency, CONAB, revised up its sugarcane crush estimates from 685.9mt to 689.9mt for the 2024/25 season. However, this is still down 3.3% YoY. The agency said that lower rainfall along with high temperatures in the Central South region, would result in yields falling by 6.6% YoY to 80t/ha for the 2024/25 season. Meanwhile, sugar output estimates were revised down to 46mt in 2024/25, compared to a previous estimate of 46.3mt. In 2023/24, Brazilian sugar output totalled 45.7mt.

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