# The Commodities Feed: Brent below $70/bbl

Oil prices sold off heavily yesterday with sentiment still clearly bearish. Weaker prices also increase the risk of higher OPEC+ supplies

## Energy – Brent below $70

Oil prices continued to weaken yesterday. ICE Brent fell 3.69%, settling at just over $69/bbl. This is the first time Brent has closed below $70/bbl since late 2021. Technicals suggest that the market is entering oversold territory. However, sentiment is clearly still bearish and Chinese trade data yesterday would have not helped, showing crude oil imports falling 7% YoY to 11.61m b/d. This leaves cumulative imports so far this year down 3.1% YoY.

The continued weakness in the oil market will be alarming to OPEC+ and in order to soothe the market, the group needs to announce policy to tackle the expected surplus in 2025. However, the more weakness we see in the market, the greater the risk that OPEC+ scraps its output cuts in an attempt to push out other non-OPEC producers from the market. Following this option would mean a lot more downside to prices. Even if the group sticks to cuts, compliance is likely to slip. Lower prices mean lower revenues for OPEC members and so as prices weaken there will be growing pressure to pump more in an attempt to try maintain revenues.

However, the recent price weakness is also likely to lead to lower drilling activity in the US. The WTI forward curve is still in backwardation and 2025 and 2026 levels are sub-$65/bbl, which could mean that we see more modest supply growth coming through from the US in 2025 and 2026. The EIA released its latest Short-Term Energy Outlook yesterday, where US crude oil output is expected to grow by 420k b/d in 2025, slightly less than the 460k b/d growth forecast last month.

OPEC released its latest monthly market report yesterday. While the group made some marginal downward revisions to its demand forecasts, these remain well above the rest of the market. OPEC still forecasts global demand to grow by more than 2m b/d this year and by 1.74m b/d in 2025. These are some distance from the roughly 1m b/d demand growth that the IEA expects for this year and next. OPEC numbers also show that group output fell by 197k b/d MoM to 26.59m b/d in August. The decline was largely driven by Libya, where stoppages saw production fall 219k b/d MoM.

European natural gas prices came under significant pressure yesterday. TTF settled 5.49% lower on the day, taking it back below EUR36/MWh. Speculators appear to have reduced their sizeable position as the supply picture continues to look very comfortable with storage 93% full. However, there are still some risks in the market. The first being the potential for any overrun in scheduled Norwegian maintenance, which is still ongoing. And secondly, any impact on LNG export facilities along the US Gulf Coast due to Hurricane Francine.

## Metals – China's aluminium stocks decline

The latest data from the Shanghai Metals Market (SMM) shows that inventories of aluminium ingots in China declined by 26kt for a third consecutive session to 768kt as of Monday, the lowest since June. The existing discounts for spot cargo purchases in eastern China have also narrowed, which could signal demand is recovering ahead of the upcoming autumn peak consumption period. The recent preliminary trade numbers from China show that exports of unwrought aluminium and aluminium products continued to rise, up 21.3% YoY to 594.4kt in August, while cumulative shipments rose 14.7% YoY to 4.35mt in the first eight months of the year.

In other metals, China's monthly imports of unwrought copper fell 5.6% month-on-month and 12.3% year-on-year to 415kt in August, the lowest monthly volume since April 2023 due to weak demand from the manufacturing and property sectors. However, cumulative imports are still up 3% YoY to 3.62mt in the first eight months of the year. Imports of copper concentrate grew 18.6% MoM to 2.57mt last month, the highest since August 2023. Cumulatively, imports rose 3.2% YoY to 18.6mt in Jan'24-Aug'24, as strong domestic refined output supported import demand for the raw material. In ferrous metals, iron ore monthly imports fell 4.7% YoY (-1.4% MoM) to 101.4mt amid falling steel prices and a gloomy demand outlook. Although, cumulative volumes are still up 5.2% YoY to 815mt.

The latest LME COTR report shows that investors decreased their net bullish position in copper by 3,540 lots to 64,877 lots for the week ending 6 September 2024. A similar move was seen in aluminium, with speculators decreasing their net bullish bets by 5,466 lots to 114,514 lots.

## Agriculture – Chinese soybean imports at record highs

The latest data from China Customs show that soybean imports rose 23.3% MoM and 29.7% YoY to a record high of 12.14mt in August. Rising soybean purchases resulted from the availability of cheaper supplies from Brazil and increasing demand for soymeal from animal producers. This leaves cumulative soybean imports over the first eight months of the year at 70.5mt, up 2.8% YoY.

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