

# The Commodities Feed: Brent breaks above US\$80/bbl

The oil market rallied as hopes of a cease-fire between Israel and Hamas fade



Source: Shutterstock

## Energy - oil rallies as hopes of a cease-fire disappear

Oil markets rallied yesterday with ICE Brent settling a little more than 3% higher on the day, which saw the market closing well above US\$81/bbl. The catalyst for the move appears to be Israel refusing to agree on a cease-fire with Hamas. There had been suggestions, or at least hope, that we could see a cease-fire, which could have helped to de-escalate the situation. But clearly, the concern now is we see further escalation.

Further support for crude oil prices came from the broader strength we are seeing in refinery margins. Refined product draws in the US over the last week have been supportive for margins, while Red Sea disruptions and refinery outages also continue to provide support to refined product markets, particularly middle distillates.

The latest data from Insights Global show that refined product inventories in the ARA region fell by 106kt last week to 5.21mt. These declines were driven by gasoil, fuel oil and jet fuel, which fell by 71kt, 79kt and 54kt respectively. Middle distillate stocks in Europe remain tight, which suggests

that cracks will remain well supported at least in the short term.

US natural gas prices came under pressure yesterday with front-month Henry Hub futures settling more than 2.5% lower on the day. This weakness has continued in early morning trading today, which sees the market trading comfortably below US\$2/MMBtu. EIA numbers yesterday showed that US natural gas storage fell by just 75bcf over the last week, which was well below the 5-year average draw of 193bcf for this time of year. US gas storage remains comfortable at 10.6% above the 5-year average.

## Agriculture – USDA raises domestic ending stocks

The USDA's latest WASDE report was relatively bearish for grains, at least for US domestic markets. The USDA increased its 2023/24 US corn ending stocks estimate marginally from 2.16b bushels to 2.17b bushels on the back of lower demand. This was higher than the roughly 2.15b bushels the market was expecting. The agency lowered its consumption estimate by 10m bushels to 12.5b bushels. For the global corn market, 2023/24 ending stocks were lowered by 3.2mt to 322.1mt due to lower output. Global corn production was revised down from 1,235.7mt to 1,232.6mt, with reductions from Brazil (-3mt), Mexico (-0.5mt), and Serbia.

For soybeans, the USDA increased its 2023/24 US ending stocks estimate from 280m bushels to 315m bushels. This was also above the roughly 284m bushels the market was expecting. The upward revision was largely due to falling exports, which were lowered by 35m bushels as a result of strong competition from Brazil. For the global market, the USDA increased 2023/24 ending stock estimates from 114.6mt to 116mt due to rising beginning stocks.

For wheat, the agency increased its 2023/24 US ending stocks estimate from 648m bushels to 658m bushels following a drop in domestic use. The market was expecting the stocks estimate to remain unchanged at 648m bushels. For the global balance, wheat ending stocks were revised marginally lower from 260mt to 259.4mt. And this was slightly lower than the roughly 261m tonnes the market was expecting.

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