

The Commodities Feed: Ceasefire hopes

Oil prices have come under renewed pressure following progress towards a ceasefire between Israel and Hamas. However, while Israel has accepted a ceasefire, the market is still waiting to see whether Hamas is onboard



Energy – Potential ceasefire weighs on oil

Oil prices came under renewed pressure yesterday. ICE Brent settled a little more than 2.5% lower on the day, which saw the front-month contract close well below US\$78/bbl. Sentiment in the market remains bearish. Demand concerns centred around China continue to linger. Recent data releases, reinforce the view of weaker Chinese oil demand. Trade and industrial output numbers last week suggested that apparent oil demand continued to trend lower in July. These worries mean that speculators continue to be hesitant about jumping into the market, despite expectations for a deficit environment for the remainder of the year. While the speculative net long in ICE Brent increased over the last reporting week, this was predominantly driven by short covering, rather than fresh longs.

The other key development weighing on prices is the prospect of a ceasefire between Israel and Hamas. Antony Blinken, the US Secretary of State has said that Israel has accepted a ceasefire, or at least a “bridging” proposal for a ceasefire. This has helped ease some fears over supply risks hanging over the oil market. However, we still need to see if Hamas will accept the deal, and if we

get a deal, whether the ceasefire holds. Oil prices are likely to remain sensitive to how this evolves.

EU gas storage is 90% full now, hitting the European Commission's target more than 2 months ahead of schedule and, assuming no supply shocks, should leave storage close to 100% full ahead of the next heating season. However, the market is clearly more focused on supply risks, and these are keeping European gas prices at elevated levels. Risks are still centred around Russian pipeline flows through Ukraine with developments in the Kursk region of Russia leaving these flows vulnerable to supply disruptions.

Metals – Gold hovers near record highs

Gold is hovering near record highs after it topped \$2,500/oz for the first time on Friday. The move higher came after disappointing US housing data reinforced expectations of rate cuts from the US Fed. Gold prices are up 22% so far this year amid geopolitical uncertainties, expectations of interest rate cuts from the Fed and strong buying appetite from central banks. Looking ahead, we expect gold to stay near record highs on expectations that the US Fed is getting closer to an interest rate cut. We believe that gold's focus will remain firmly on the scope and timing of the Fed's likely move to cut rates, with Jackson Hole later this week potentially providing some further clarity on the path the Fed may take.

Agriculture – Cocoa rises on weather conditions

US cocoa futures extended gains for a second consecutive session yesterday due to concerns over weather conditions. Forecasts for dry weather in some parts of West Africa could hamper crop growth in the current season. There are suggestions that farmers in southeast Nigeria are facing difficulties accessing plantations due to rains. Meanwhile, in the southwest, conditions remain dry, affecting seedlings planted in late May.

The latest crop progress report from the USDA shows that the US corn crop is in relatively good condition with 67% of the crop rated good-to-excellent, up from 58% at the same stage last year. Similarly, 68% of the soybean crop is rated good to excellent, compared to 59% at the same stage last year. Finally, 96% of the winter wheat crop is harvested, above the 95% harvested at the same stage the previous year.

Data from the Uganda Coffee Development Authority show that Uganda's coffee shipments rose 22.4% MoM and 26% YoY to a record high of 821.6k bags (previous record of around 743.5k bags in August 2023) in July, following a healthy harvest in the Greater Masaka, and Southwestern region. Cumulative shipments for the season (October to July) stood at 5m bags (60 kg bag), up 3.3% YoY.

Weekly export inspection data from the USDA for the week ending 15 August shows that US exports for corn and soybeans remained strong while wheat shipments slowed over the last week. Inspections of corn for export stood at 1,166.1kt, up from 986.2kt in the previous week and 510.6kt reported a year ago. Similarly, export inspections for soybeans stood at 398.2kt over the week, up from 349.6kt in the previous week and 320.4kt reported a year ago. Finally, US wheat export inspections came in at 347.5kt compared to 666.7kt a week ago and 311.3kt seen a year earlier.

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