

The Commodities Feed: China demand concerns weigh on commodity complex

The oil market traded under pressure yesterday amid demand concerns from China and a bearish inventory report from the American Petroleum Institute (API)



Oil prices have stabilised as focus shifts to supply risks in the US due to Hurricane Milton. Pictured: people evacuate North-West Florida

Energy – Jump in US oil inventory

ICE Brent slumped yesterday to settle at \$77.2/bbl (down around 5% for the day) along with other commodities as demand concerns from China weighed on the market sentiment. A bearish inventory report from the API put further pressure on oil prices in the short term. The prices have stabilised this morning as focus shifts to supply risks in the US due to Hurricane Milton. Recent reports suggest that Pemex shut oil platforms and crude-exporting terminals in the Gulf of Mexico due to the hurricane. It was reported that some of the offshore oil platforms were also shut due to the rising hurricane threat.

The API reported that US crude oil inventories rose significantly by 10.9m barrels last week, higher than the market expectation for a build of just 1.3m barrels. Crude stockpiles at Cushing increased by 1.4m barrels. Meanwhile, product inventories fell over the reporting week, with gasoline stocks falling by 0.6m barrels while distillate inventories declined by 2.6m barrels, in line with the average market expectation. The more widely followed EIA inventory report will be released later today.

The EIA's latest Short-Term Energy Outlook saw downward revisions in US crude oil production forecasts. The agency expects US crude oil production growth to slow down to 290k b/d year-on-year compared to its earlier estimates of 320k b/d. The administration now estimates production at 13.22m b/d for 2024. For 2025, the oil output projections were lowered from 13.67m b/d to 13.54m b/d (+320k b/s YoY compared to the previous forecast of +420k b/d). These revisions come as the number of oil rigs operating in the US has been declining for some time now. For US natural gas output, the EIA forecast that dry gas production could fall by 0.3bcf/d this year compared to earlier estimates of 0.4bcf/d of fall. Growth for 2025 has also been trimmed from 1.4bcf/d last month to 1.1bcf/d currently.

Metals – Gold under pressure

Gold prices are trading under pressure this week and extending the declines for a sixth straight session this morning as recent comments from the Federal Reserve indicated US rate cuts won't be as aggressive as previously thought. The market expectations have now shifted to a more gradual pace of easing this year. Swap traders are now projecting a 50bp cut for the year, down from the expectations of 75bp about two weeks ago. Meanwhile, the market will be closely watching US September inflation data scheduled for release later this week.

Iron ore rebounded this morning after China announced another briefing on policy support after yesterday's National Development and Reform Commission briefing mostly disappointed the markets, failing to deliver new pledges. Any sustained pick up in metals prices will depend on the strength and the speed of the rollout of any stimulus measures. [We will look out for](#) any potential investment into new infrastructure projects and energy transition sectors. China, the world's biggest consumer of metals, has been a drag on metals demand for more than two years. A broad economic slowdown and, in particular, the crisis in the property sector has weighed on copper and other industrial metals.

The latest LME COTR report shows that investors increased their net bullish position in copper by 10,733 lots for a fourth consecutive week to 81,429 lots for the week ending 4 October, the highest net long since 12 July 2024. A similar move has been seen in aluminium, with speculators increasing their net bullish bets by 3,474 lots for a third straight week to 122,307 lots over the last reporting week. For zinc, money managers increased net bullish bets by 5,142 lots to 34,172 lots as of last Friday. This was the highest level since the week ending 21 June 2024.

Agriculture – Supply concerns from West Africa push cocoa higher

US cocoa prices extended their rally surging as much as 4.7% at one point yesterday, amid lingering concerns about tight global supplies. The exchange warehouse inventories for cocoa in the US have dropped to the lowest level since 2009, while arrivals at the Ivory Coast in the first week of the 2024/25 season have declined significantly. Along with that, expectations of continuous rain showers in West Africa over the coming days raised concerns about pod diseases, keeping the tight supply conditions intact for the near term. However, cocoa prices have declined around 15% in the last week, as the European Union postponed a new deforestation law (easing some of the supply concerns).

Recent data from the European Commission shows that EU soft-wheat exports for the 2024/25 season stood at 6.4mt as of 6 October, down 29% compared to 8.9mt reported in a similar period a

year ago. The fall in exports was primarily attributed to a decline in production estimates from 116.1mt to 114.6mt for the ongoing season. Nigeria, Morocco, and Egypt were the top destinations for these shipments. In contrast, EU corn imports continued to rise and stood at 5.4mt, up 10% compared to a year ago. These stronger inflows are a result of weaker domestic supply this season.

The latest numbers from the Russian Agricultural Ministry show that the country has harvested 120mt of grains as of 8 October, covering over 90% of the area. The above includes a wheat harvest of 85mt for the above-mentioned period. Meanwhile, the quality of the grains in the current harvest season is higher than the previous year's crop.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.