

The Commodities Feed: Chinese measures weigh on complex

The complex came under pressure on Friday after the market was left disappointed with the Chinese government's debt package



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Energy – European natural gas rallies

Oil prices came under pressure on Friday along with the rest of the commodities complex after markets were left underwhelmed by China's debt package, which will help alleviate local government debt and allow them to implement more stimulus measures. In addition, [a Trump presidency is seen as relatively more bearish for energy markets](#). However, the key risk to this view is if President Trump chooses to strictly enforce sanctions against Iran. This would erase the surplus expected over 2025.

The latest positioning data shows that speculators increased their net long in ICE Brent in the lead-up to the US election. Speculators bought 32,238 lots over the last reporting week to leave them with a net long of 126,145 lots as of last Tuesday. Similarly, speculators increased their net long in NYMEX WTI by 48,143 lots to 143,985 lots. Softer fundamentals through next year suggest little reason for speculators to jump into the market. However, there are clear risks, including OPEC+ deciding to further delay the unwinding of their supply cuts next year.

Hurricane Rafael in the Gulf of Mexico has been downgraded to a post-tropical cyclone. However, data from the Bureau of Safety and Environmental Enforcement (BSEE) shows that almost 483k b/d of crude oil production has been shut in, which is equivalent to almost 28% of total US Gulf of Mexico production. Meanwhile, 310mcf/day of natural gas production is also shut, equivalent to almost 17% of total US Gulf of Mexico natural gas production. With the storm having weakened, this production should start to return following safety checks.

European natural gas prices strengthened further on Friday with TTF rallying more than 2.7%, leaving prompt prices well above EUR42/MWh. Gas prices have been supported by lower wind power generation. In addition, while LNG send-out has increased so far over November, storage is drawing with Gas Infrastructure Europe data showing storage at a little under 93.6% full, leaving it just above the 5-year average, but below the more than 99% full it was at the same stage last year.

Metals – China plan underwhelms

Copper and other industrial metals declined late last week after China debt package disappointed markets. Last Friday officials in Beijing announced a total 10 trillion-yuan programme to refinance local government debt, including 6 trillion yuan over three years and another 4 trillion yuan over five years. The announcement came after a week-long meeting of China's top legislatures that concluded after the US presidential election and Federal Reserve's latest policy meeting, where the central bank announced a largely expected 25-basis point interest-rate cut. After Trump's win in the presidential election, markets were hoping for a larger-than-expected stimulus. However, our China economist thinks there may be more to come once policymakers have more clarity on what a new Trump administration may do next year. Chinese policy provides an upside risk to our industrial metals outlook, depending on the strength and the speed of the rollout of measures.

Agriculture – USDA lowers US corn and soybean output estimates

In its latest monthly WASDE report, the USDA decreased its estimates for US corn inventories at the end of the 2024/25 season to 1,938m bushels compared to a previous estimate of 1,999m bushels. The agency lowered corn production estimates by 60m bushels to 15,143m bushels, while consumption and export estimates were left unchanged at 12,665m bushels and 2,325m bushels respectively. For the global balance, the USDA revised production and demand estimates upwards to 1,219.4mt (vs. 1,217.2mt) and 1,229.5mt (vs. 1,223.3mt), respectively. Stronger demand estimates pushed ending stocks down to 304.1mt compared to a previous estimate of 306.5mt.

For soybeans, the agency lowered its 2024/25 domestic production estimates by 121m bushels to 4,461m bushels as yields decreased from 53.1bu/acre to 51.7bu/acre. Consumption and export projections were also reduced by 16m bushels and 25m bushels to 2,523m bushels and 1,825m bushels, respectively. As a result, 2024/25 ending stock estimates declined by only 80m bushels to 470m bushels. For the global market, the USDA lowered production estimates to 425.4mt (vs. 428.9mt) while reducing demand projections slightly to 402.3mt (vs. 402.7mt). The supply revision is largely due to the US (-3.3mt) and India (-0.2mt). Global soybean ending stock estimates fell from 134.7mt to 131.7mt for 2024/25.

Lastly, in wheat, the USDA increased its estimates for US 2024/25 ending stocks from 812m bushels to 815m bushels. This was largely on the back of higher imports. For the global balance,

the USDA made some marginal revisions to production and demand estimates, which saw the ending stock estimate fall marginally from 257.7mt to 257.6mt.

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