

The Commodities Feed: Cocoa supplies tighten further

The cocoa market remains tight with the ICCO estimating a wider deficit for 2023/24 due to lower production in the Ivory Coast and Ghana. Lower production could push inventories further down and create shortages



Energy: Fresh tensions in Gaza support oil prices

The oil market traded with modest gains in the early trading session today with reports of fresh tensions in Gaza pushing up risk sentiment. The time spread for both Brent and WTI remains tight and continues to point to a tight physical market.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 200kt over the last week to 5.9mt as of 29 February 2024. The rise was predominantly driven by gasoil stocks increasing by 132kt to 2.06mt. Meanwhile, weekly fuel stocks saw a build of 19kt over the reporting week to 1.5mt. However, gasoline stocks in the region fell by 28kt to 1.2mt over the last week. Elsewhere, data from Singapore shows that total refined products inventory in the country increased by 0.3MMbbls (+0.6% week-on-week) for a third consecutive week to 46.8MMbbls, the highest since the week ending on 12 April 2023.

For natural gas, the EIA reported an inventory withdrawal of 96Bcf for the last week, higher than the market expectations of around 86.5Bcf withdrawals. However, the pace of inventory withdrawal remains below the five-year average fall of 143Bcf due to warmer weather and ample supplies. Natural gas inventories are up almost 11.7% from the same period last year, while also remaining comfortably higher than the 5Y average for this time of the year.

Metals: Aluminium falls on rising inventories

LME aluminium is trading lower this morning amid rising inventories in China. Recent data from the Shanghai Metals Market (SMM) shows that weekly stockpiles of aluminium ingots in China rose by 40.6kt (+5.4% week-on-week) for an eighth consecutive week to 788.6kt as of yesterday, the highest since May 2023. This has raised concerns of extended weakness in domestic consumption after the Lunar New Year holidays.

In copper, the latest data from the National Statistics Institute of Chile shows that domestic copper output rose marginally by 0.5% year-on-year to 435.6kt in January. However, production declined 12% when compared to the 495.5kt produced a month earlier.

In nickel, there are suggestions that the Philippines plans to expand its mining sites including nickel, despite a global surplus of the metal and weak global prices. It was reported that the local government will offer mining areas to investors in the second half of the year as it aims to increase its share of global mining production. The government believes that the country could take advantage of rising demand for EVs in the long term amid the global transition to renewable energy.

Agriculture: ICCO lowers cocoa production estimates

In its first estimates for 2023/24, the International Cocoa Organization (ICCO) expects the global cocoa market to encounter a supply deficit of 374kt due to falling production, higher than the deficit of 74kt seen last year. ICCO expects production to fall by 11% to 4.5mt in 2023/24 due to lower output from major producing countries, including the Ivory Coast and Ghana. Meanwhile, total grindings are expected to decline by almost 5% for the 2023/24 season pushing the stock-to-grindings ratio to the lowest in more than four decades. ICCO believes that these projections are subject to risks arising from weather conditions, and crop diseases. ICE Cocoa futures are up almost 45% this year amid expectations for global supply shortages primarily due to unfavourable weather conditions.

In its latest Cereals Market Situation report, the European Commission shows that soft-wheat production could fall to 125.6mt for the 2023/24 season, compared to its previous projections of 125.9mt. Lower production estimates raised the wheat import projections by 0.5mt to 7.5mt for the season. Meanwhile, corn production estimates were revised higher to 62.3mt, up from its previous estimates of 61.4mt. The EU corn imports forecast dropped from 19mt to 17.5mt for the period, due to higher domestic production projections for the year.

Lastly, USDA released its weekly grains export sales report which shows that US grain sales remained strong for the week ending 22 February. US corn shipments surged to 1,247.3kt, higher than the 998.1kt a week ago and 598.1kt for the same period last year. This is also higher than the average market expectations of 935kt. Similarly, US wheat export sales rose to 322.1kt, higher than the 280.1kt reported a week ago and 300.9kt reported a year ago. The market was expecting a number closer to 355kt. Meanwhile, US soybean shipments stood at 159.7kt, higher than the

55.9kt reported a week ago but lower than the 494.7kt reported a year ago and the average market expectations of 334kt.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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.