The Commodities Feed: Complex recovers

Commodities are recovering this morning after yesterday’s heavy sell-off on the back of a surge in the US dollar following Trump's win

Energy – Hurricane Rafael shuts in oil production

Oil prices faced pressure yesterday as the US dollar surged with the clarity of the election results. However, the oil market managed to recover a significant portion of these losses as the trading session progressed.

The impact of a Trump presidency is still uncertain with several opposing forces potentially at play. USD strength is likely to provide headwinds not just to oil but to the broader commodities complex, as we witnessed yesterday. Furthermore, a Trump administration could see an increase in oil and gas leasing on federal land, which had fallen significantly under Biden. However, US supply growth is going to remain largely price-dependent. On the flip side, a Trump presidency also opens the door for a more hawkish US stance against Iran, which could mean stricter enforcement of oil sanctions. Stricter enforcement of sanctions potentially leaves a little more than 1m b/d of oil supply at risk.

Hurricane Rafael in the US Gulf of Mexico continues to put oil and gas supply at risk. According to the Bureau of Safety and Environmental Enforcement (BSEE), a little over 304k b/d of US Gulf of Mexico oil production has been shut in due to the hurricane, while 131 mcf/day of natural gas production has also been shut.

The EIA released its weekly inventory report yesterday which showed that US commercial crude oil inventories increased by 2.15m barrels over the last week, slightly less than the 3.1m barrel build reported by the API the previous day. While refines increased their utilisation rate by 1.4pp over the week, a 1.41m b/d WoW decline in crude oil exports would have helped to contribute to the crude build. Refined products also saw builds over the week with gasoline and distillate stocks increasing by 412k barrels and 2.95m barrels respectively. Implied demand also fell over the week, with implied gasoline and distillates demand falling by 331k b/d and 475k b/d respectively.

Chinese trade data for October released this morning shows that crude oil imports into China remain under pressure with 10.56m b/d of crude imported last month, down 4.9% MoM and 8.7% lower YoY. This leaves cumulative imports so far this year down 3.4% YoY. These numbers will do little to ease Chinese demand concerns.

Metals – Slump on dollar strength as Trump wins election

The metals complex came under pressure yesterday, driven by a stronger dollar and a risk of tariffs after Trump won the US presidential election.

Copper led industrial metals lower, following three days of gains on better-than-expected data from China. Beijing is expected to unveil more support measures later this week at the National People's Congress Standing Committee meeting. If more fiscal measures are announced, this will likely boost metals prices.

In precious metals, gold also slumped, weighed by a rising dollar. However, while a stronger dollar may act as a headwind for the precious metal, this could be offset by a geopolitical uncertainty that may accompany a Trump presidency. Gold has long been a safe haven asset during times of elevated geopolitical risk.

Trump's proposed policies, including tariffs and stricter immigration controls, which are inflationary in nature, could limit interest rate cuts from the Fed. A stronger dollar and tighter monetary policy could provide headwinds to gold and industrial metals. Tariffs also provide a downside risk to global growth, which would be negative for industrial metals demand. However, for gold, increased trade friction could add to the precious metal's haven appeal.

Agriculture – Soybeans fall on China trade uncertainty

CBOT soybean prices initially sold off on the back of the US election outcome with the market down around 2% at one stage yesterday. The concern for soybeans is that they get caught up in any potential trade tensions, like we saw during the trade war under Trump's previous presidency.

There are reports that Ivory Coast exporters are rejecting truckloads of cocoa beans due to the bad quality of beans, adding fresh supply threats to the global market balance. There are estimates that an average of eight to 10 trucks (35t of each) of cocoa beans have been sent back daily by top bean exporters and grinders over the last two weeks, as beans are full of mould and smaller than usual. Recent data also indicates that bean arrivals at the Ivory Coast ports have dropped week on week, as heavy rainfall last month made it difficult for producers to dry the beans while also delaying harvesting.

The General Statistics Office of Vietnam released trade volume estimates for October which show that coffee shipments rose to 44kt, up 1.5% YoY. However, cumulative coffee exports fell 11.2%

YoY to 1.15mt over the first 10 months of the year.

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