The Commodities Feed: Crude oil retreats

Crude oil prices retreated yesterday as the focus shifted back to demand concerns even as the Middle East conflict tensions linger. Higher oil prices and logistical issues risk disrupting fragile economic recovery in the immediate term

Saudi Aramco is abandoning plans to boost oil production capacity amid demand concerns

Energy – Saudi Aramco abandons capacity increase plans for now

- ICE Brent softened yesterday and has been trading at around US$82/bbl this Tuesday morning after hitting a recent peak of above US$84.5/bbl as the focus shifts back to demand slowdown as Middle East uncertainty lingers. China has been taking supportive measures to help the faltering economy. However, there are still no clear indications of a strong demand revival. Meanwhile, higher prices on account of geopolitical reasons could further weigh on oil demand in the medium term.
- Saudi Aramco has decided to abandon its plans to boost oil production capacity from the current 12MMbbls/d to 13MMbbls/d as the demand outlook remains uncertain. Earlier in November, the company announced plans to boost oil production capacity to 13MMbbls/d by 2027, forecasting higher demand from Asian countries – especially from India and China. Given the voluntary production cuts by Saudi Arabia to maintain market balance and softer prices, the additional capacity might have been considered unnecessary for now. Meanwhile, a recent survey from Bloomberg shows that Saudi Aramco might keep the

official selling price of its Arab Light steady at US$1.5/bbl for its Asian customers for March sales.
- Latest data from the US Energy Department shows that the Biden administration has purchased another 3.1MMbbl of oil for the Strategic Petroleum Reserve to be delivered in May 2024. For the current year, the purchases totalled 6.3MMbbls, while the government has bought a total of 20.13MMbbls of oil for the SPR since the beginning of 2023.
- Recent market reports suggest that the capacity expansion for the Trans Mountain pipeline is once again delayed due to technical issues faced during the construction activities. The planned expansion of 890Mbbl/d is expected to nearly triple the existing capacity of the pipeline. Earlier, the pipeline was scheduled to start operating, with the expanded capacity starting next month with its first cargo being shipped from Vancouver in April.

Metals – Norilsk lowers nickel output estimates

- Norilsk Nickel PJSC expects its metals production to fall this year as a major producing unit will undergo maintenance whilst the Ukraine war continues to impact the business. The company now expects its refined nickel production to drop around 12% YoY to as low as 184kt t in 2024. Last year, nickel production stood at 209kt. Among other metals, copper production fell 2% YoY to 425kt in 2023 due to declining ore grades and processes configured to improve copper cathode quality. Meanwhile, palladium production fell 4% YoY to 2.7moz, while platinum production rose 2% YoY to 664koz last year. For 2024, the company expects palladium production to fall by 15% YoY to 2.3moz in 2024. The company added that the risk associated with adverse geopolitical conditions will continue to impact its overall operations.
- Meanwhile, Vale reported that iron ore production rose 10.6% YoY (+3.7% QoQ) to 89.4mt in 4Q23, quite larger than the average market expectations of 83mt. This was the highest quarterly average for any 4Q in the last five years, primarily due to the investments in its prized Amazonian operations and improving performance at its older mines in the southeast region. For 2023, iron ore production totalled 321.2mt, higher than the production guidance of 315mt for the year. Vale left its 2024 output guidance unchanged at 310mt-320mt. Meanwhile, SGX iron ore has been trading lower this morning as higher output numbers from Vale, along with the prolonged real estate crisis, are weighing on the raw material prices.

Agriculture - Vietnam coffee shipments rise

- The General Statistics Office of Vietnam released trade volume estimates for January showing that coffee exports stood at 210kt, up 48% compared to 142.3kt reported a year ago. Vietnam coffee exports continue to benefit from the rise in Robusta coffee prices, primarily due to the supply shortages in the domestic market.
- The USDA's weekly export inspection data for the week ending 25 January show that US corn shipments rose while wheat and soybeans exports eased over the last week. Export inspections for soybeans stood at 889.7kt over the week, lower than 1,185kt in the previous week and 1,931.1kt reported a year ago. Similarly, US wheat export inspections stood at 264.7kt, down from 315.2kt a week ago and also lower than the 446.1kt seen last year. For corn, US export inspections came in at 902kt, compared to 746.9kt from a week ago and 544.5kt reported a year ago.

Author

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com