

# The Commodities Feed: Further downward pressure

Oil prices have come under pressure due to lingering demand concerns, while the copper market has weakened further on the back of rising inventories



## Energy – Russian crude transit issues

Oil prices came under further pressure yesterday with demand concerns lingering in the market. However, we remain constructive towards the market through the third quarter and still expect prices to move higher from current levels. OPEC+ cuts should ensure that the market tightens in the current quarter. However, how tight it will get will depend on how Chinese demand evolves.

Hungary and Slovakia have asked the EU to persuade Ukraine to allow the resumption of crude oil flows from Lukoil, which would be Russian oil transiting through Ukraine. Ukraine halted these flows due to tightening sanctions against the producer. Hungary has said that they will take Ukraine to court to resolve the issue if they fail to agree. Lukoil supplies around 45% of Slovakia's total imports and a little more than 30% of Hungary's.

The 240k b/d Tuapse refinery in Russia caught fire on Monday following a further Ukrainian drone attack. While infrastructure at the refinery has been damaged, it is unclear whether it has disrupted refinery operations. Further strikes on Russian refinery capacity would support refined product prices, due to lower output, and somewhat bearish for crude oil, as it would increase availability of crude oil for export.

European natural gas prices weakened further yesterday. TTF settled about 1% lower. However, prices continue to hold above EUR31/MWh. We continue to expect prices to weaken through this quarter. European storage is now 83% full, similar to year-ago levels and well above the 5-year average of 73%. LNG supply risks have also started to ease with feed gas flows to the Freeport LNG export plant in the US recovering after disruptions due to Hurricane Beryl.

## Metals - Copper hits three-month low

Copper hit a three-month low yesterday, extending its retreat from a record high in May amid concerns over China's weak consumption and surging global inventories. Last week's key Communist Party meeting failed to address the country's prolonged property slump and the lack of short-term stimulus disappointed metal markets with the LME Index, which tracks six base metals, plunging 5.6% last week.

The slowdown in China's property sector has been a major headwind to copper and other industrial metals demand for over two years. We believe the continued weakness in the sector remains the main downside risk to our outlook.

Meanwhile, China's refined copper exports more than doubled in June, pointing to slowing demand in the domestic market. Exports more than doubled to 157,751 tonnes in June from May, surpassing the previous all-time high of 102,000 tonnes in 2012, according to China Customs data.

Amid a surge of Chinese exports, global copper inventories have been rising, underscoring soft spot demand in China and elsewhere. LME copper stockpiles have more than doubled since the middle of May, to the highest level since September 2021, with most of the build-up seen in warehouses in Asia.

## Agriculture – EU cuts corn yield estimates

In its monthly crop monitoring Mars report, the European Commission estimates that soybean yields will drop to 2.86t/ha from a previous projection of 2.91t/ha, but higher than the five-year average of 2.73t/ha. Similarly, corn yield estimates fell to 7.24t/ha, compared to a previous estimate of 7.55t/ha and the five-year average of 7.35t/ha. Hot and dry weather conditions in southeastern Europe and unfavourable wet conditions in the large parts of western Europe have weighed on yield expectations. As for wheat, yield estimates rose slightly from 5.64t/ha to 5.65t/ha.

Weekly export inspection data from the USDA for the week ending 18 July show that US soybean shipments rose while wheat and corn exports slowed over the last week. US weekly inspections of corn for export stood at 970.5kt, down from 1,092.2kt in the previous week but up from the 329.8kt reported a year ago. Similarly, export inspections for wheat stood at 238kt over the week, lower than 620.7kt in the previous week and 361.1kt reported a year ago. Meanwhile, US soybeans export inspections rose to 327.1kt, compared to 175.3kt from a week ago and 288.7kt reported a year ago.

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