

The Commodities Feed: Gold breaks below \$2,000

Yesterday's stronger-than-expected US CPI print put significant pressure on gold, while oil managed to edge higher with signs of some tightening in the market



Energy - OPEC continues to expect strong oil demand growth

The oil market managed to edge higher yesterday despite the stronger-than-expected [US CPI print for January](#). ICE Brent settled 0.94% higher on the day, taking it closer to the US\$83/bbl level. There appear to be some signs of tightness in the crude market and this is reflected in the prompt timespread which has traded to a backwardation of US\$0.70/bbl, up from around US\$0.26/bbl in early February. This tightness, along with the broader strength we are seeing in refinery margins, will provide some support to crude oil prices.

Inventory numbers from the API overnight were a mixed bag. The API reported a large build of 8.52m barrels in US crude oil inventories while Cushing stocks are also reported to have increased by 500k barrels. The builds in crude oil were fairly bearish. However, this was offset by large product declines with gasoline and distillate stocks falling by 7.2m barrels and 4m barrels respectively. The continued outage at BP's 435k b/d Whiting refinery will have contributed to the crude builds and product draws.

OPEC left its demand forecasts unchanged in its latest monthly report and expects oil demand in 2024 to grow by 2.25m b/d and then by a further 1.85m b/d in 2025. OPEC is quite aggressive with its demand growth forecasts, which are well above the 1.2m b/d growth that the IEA forecasts for this year. As for non-OPEC supply, the group lowered output estimates by around 150k b/d to 1.19m b/d for 2024. OPEC cut its output estimates for Russia, the US, Kazakhstan and Oman, although this was partially offset by expectations for stronger output from Guyana. As for OPEC supply, production in January fell by 350k b/d MoM to 26.34m b/d. Lower output was expected, given the additional voluntary cuts from a handful of members. However, a large share of this reduction (162k b/d) was driven by Libya, which is not part of the cuts, and indicates that some who announced additional voluntary cuts fell short of their target - such as Iraq.

Metals – Gold drops below \$2,000/oz

Gold dropped below \$2,000/oz for the first time since December following the stronger-than-expected US inflation report, which diminished hopes for imminent Fed rate cuts. Higher borrowing costs are typically negative for gold. Gold has held above the \$2,000 level since mid-December, supported by safe-haven demand amid geopolitical tensions and growing expectations that the Fed will start to ease monetary policy this year. The outlook for gold will be largely dependent on Fed policy and if the pace of easing for this year is dialled back, it leaves our end-of-year forecast of US\$2,150/oz at risk.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@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 <http://www.ing.com>.