

## 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.

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