

The Commodities Feed: Gold hits another record high

Gold prices jumped to a fresh record high amid concerns over escalating tensions in the Middle East and ahead of the US election



Metals – Gold breaks above \$2,700 for first time

Gold broke above \$2,700/oz for the first time amid concerns over escalating tensions in the Middle East and ahead of the US election.

Traders are seeking safety in gold this morning after Israel said it killed Hamas leader Yahya Sinwar, and Prime Minister Benjamin Netanyahu said Israel would keep fighting until all the hostages seized by Hamas last year are free, even though US President Joe Biden said it was time for the war to end.

Gold is one of this year's strongest performing commodities, with gains of more than 30% so far, supported by rate-cut optimism, strong central bank buying and robust Asian purchases. Safe-haven demand amid heightened geopolitical risks as well as uncertainty ahead of the US election in November have also supported gold's record-breaking rally this year.

We believe the macro picture combined with safe-haven demand amid an escalation of tensions in the Middle East and the ongoing war in Ukraine will drive gold to new highs.

The US presidential election in November will also continue to add to gold's upward momentum through to the end of the year, in our view, and is likely to perform well regardless of the election outcome. Central banks are also expected to keep adding to their holdings, which should offer support.

The National Bureau of Statistics (NBS) numbers released this morning show that Chinese monthly primary aluminium production rose 1.2% year-on-year to 3.65mt as more smelters brought back the idled capacity. Ample power supplies in the country could result in further gains in production through the rest of the year. Cumulatively, output increased 4.6% YoY to 32.6mt over the first nine months of the year. Among other metals, monthly crude steel production fell 6% YoY to 77.1mt last month (the lowest monthly total this year) as mill margins continue to remain weak, while real estate demand also remains sluggish. Cumulative output fell 3.6% YoY to 768.5mt in Jan'24-Sep'24.

Meanwhile, trade numbers from Chinese Customs show that China's imports of unwrought aluminium and aluminium products fell 20% YoY to 270kt in September, while cumulative shipments increased 39.5% to 2.85mt in the first nine months of 2024. For steel products, imports fell by 13.6% YoY to 550kt last month, while cumulative imports fell 9% YoY to stand at 5.2mt in Jan'24-Sep'24. Looking at the exports, the country's alumina exports jumped 57.5% YoY to 140kt in September but remained unchanged on a monthly basis. Meanwhile, year-to-date shipments increased 33% YoY to 1.24mt in the first nine months of the year.

Steel inventories at major Chinese steel mills rose to 14.7mt in early October, up 3.2% compared to late September, according to data from the China Iron and Steel Association (CISA). However, steel inventories are still 10% lower than in the same period last year. Crude steel production at major mills rose by 1.7% from late September to 2.05mt/d in early October, as more domestic steel mills ramped up production primarily to capitalise on sustained profits.

Energy – EIA reports oil inventory draws

Crude oil prices ended higher for the first time in four sessions yesterday, as US oil inventories fell more than anticipated while Middle East tensions linger. Yesterday's delayed EIA inventory report was fairly constructive. US commercial crude oil inventories fell by 2.2m barrels over the last week, in contrast to the market expectations of a build of 1.5m barrels. The draw was largely driven by lower crude imports, which fell by 710k b/d week-on-week. Total crude oil inventories now stand at 420.5m barrels for the week ending on 11 October, about 5% below the five-year average.

Meanwhile, refined product stock changes were also supportive. Gasoline inventories decreased by 2.2m barrels compared to market expectations for a decline of around 1.7m barrels. Similarly, distillate stocks dropped by 3.5m barrels, higher than the average market expectation for an outflow of 2.2m barrels.

The latest industrial output data from China shows that domestic refining activity continued to fall in September. The latest data from the National Bureau of Statistics (NBS) shows that crude processing fell by 5.4% YoY, to around 58.73mt (around 14.3m b/d) in September as more units were shuttered for seasonal maintenance. Meanwhile, apparent domestic demand was also weaker, falling by close to 7% YoY to 14.2m b/d last month, while cumulative demand declined 3.8% YoY to around 14.0m b/d over the first nine months of the year.

The latest data from Insights Global indicate that Gasoil stocks in the ARA region decreased by

113kt WoW to 2.2mt for the week ending on 17 October. Similarly, gasoline oil inventories fell by 45kt to 1.05m barrels over the reporting week. However, rising inventories for other oil products helped to limit the overall decline. In Singapore, total oil product stocks fell drastically by 2.2m barrels WoW to 4m barrels over the week ending 16 October, the lowest since 6 December 2023. The decline was led by both middle and light distillate stocks falling by 1.3m barrels each over the week to 9.3m barrels and 12.9m barrels, respectively.

In the US, Henry Hub natural gas ended lower yesterday for a second consecutive session as the US natural gas storage data remained somewhat bearish while milder weather continues to dampen the demand expectations. EIA weekly data shows that US gas storage increased by 76Bcf last week, slightly less than the 77.6Bcf increase the market was expecting. Meanwhile, this was below the five-year average increase of 80Bcf. Total gas stockpiles totalled 3,705Bcf as of 11 October, up almost 3% from the same period last year and 4.6% above the five-year average. Forecasts of warmer temperatures across most of the US could continue to reduce demand for heating fuel over the coming days.

Agriculture - IGC raises global soybean output estimates

In its recent monthly update, the International Grains Council (IGC) increased its 2024/25 global soybean production estimates to a record of 421mt from its previous projections of 419mt. The upward revision was primarily due to the better output expectations from South America and other major producers. Meanwhile, consumption estimates were left unchanged at 406mt. The council estimates that ending stocks could rise to 86mt compared to September projections of 82mt. As for corn, the council left the output estimates unchanged at 1,224mt for the season. Meanwhile, consumption and ending stock projections were revised up from 1,230mt and 276mt to 1,231mt and 279mt, respectively. Lastly, wheat production forecasts remained unchanged at 798mt, while consumption estimates were increased marginally from 803mt to 804mt. Meanwhile, the global wheat-ending stocks estimates were lowered slightly to 266mt from 267mt.

Meanwhile, the trade numbers from China Customs show that corn imports dropped 81% YoY for a fifth consecutive month to 310kt in September, while cumulative imports declined 22.5% YoY to 12.8mt in the first nine months of the year. The country has already taken steps to protect farmers by limiting the overseas purchases of corn as the domestic warehouses have plenty of grains. For wheat, monthly imports fell 60% YoY to 250kt last month. However, cumulative imports are still up 5.5% YoY to a total of 10.7mt in Jan'24-Sep'24.

In its weekly report, the Buenos Aires Grain Exchange raised Argentina's corn planting estimates to 24.3% complete for the 2024/25 season, up from 18.6% estimated earlier. Sufficient rain has been helpful for the planting season so far. Meanwhile, the exchange reported that the corn planting area remained unchanged at 6.3m ha for the above-mentioned period. The exchange further added that the forecast for more showers could continue to improve the country's wheat crop condition as well.

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