The Commodities Feed: Gold slumps to two-week low

The selling pressure in gold and silver prices intensified this week after stronger economic data from the US weighed heavily on rate cut expectations. Stronger demand prospects from India on the back of duty cuts could provide a floor moving forward

Energy – Oil trades flat on demand concerns

Crude oil prices are trading almost flat this morning as recent official estimates suggest weaker oil demand in China for the latter half of the year. Meanwhile, mixed market expectations over whether OPEC+ will proceed with plans to boost supplies next quarter are helping prices to limit losses. As per the latest BBG survey, only 10 of 23 market participants predict that the group will fully implement the planned 543k bbl/d hike.

Recent estimates from China Petrochem show that overall oil consumption in China might fall 3.8% year-on-year to 184mt in the second half of the year. Looking at the products, the nation's gasoline and diesel demand could fall by 3.2% YoY and 6.4% YoY respectively over this period, which could weigh on its crude oil imports. On the other hand, jet fuel consumption could rise by 6.4% YoY, primarily getting a boost from increased domestic and international travel.

Data from Mysteel OilChem shows that Chinese state and independent oil refiners cut run rates to 76.5% of capacity for the week ending 25 July, the highest in almost two months. Meanwhile, the independent refiners in Shandong reduced run rates to 49% of capacity in the week ending on 26 July, the weakest in two weeks.

In Singapore, oil product stocks increased by 854k barrels over the last week for a second consecutive week to 46.6m barrels, the highest since 8 May 2024. This increase was driven predominantly by light distillates, with these stocks increasing by 1.2m barrels over the reporting week. Total oil product stocks in Singapore are higher than the five-year average of 44.6m barrels.

The latest data from Insights Global shows that refined product inventories in the ARA region fell by 48k tonnes over the last week, to 5.87m tonnes. The decline was driven by gasoil inventories with stocks falling by 73kt to 2mt over the reporting week. However, the build of 31kt in the gasoline inventories helped to partially offset the decline reported in the other products' stocks.

Lastly, US natural gas prices declined for a third consecutive session yesterday, with front-month Henry Hub futures settling just above $2/MMBtu. Larger-than-expected inventory build along with concerns over late summer heating demand in the US have been weighing on prices. Forecasts have shifted towards slightly cooler weather in the Northwest, Midwest, and Pacific Northwest regions of the US until the month's end, eventually weighing on gas consumption prospects. Meanwhile, EIA storage data yesterday showed that natural gas inventories increased by 22bcf/d over the past week, higher than the 11bcd/f expected but below the five-year average of 31bcf/d. Total US storage totalled 3.23tcf as of 19 July, 16.4% more than the five-year average.

Metals – Gold slumps to two-week low

Gold slumped to a two-week low, losing another 1.4% yesterday and falling to $2,353/oz. Gold prices have dropped by around 5% from their recent peak earlier in the month while silver prices also dropped by more than 10%. Better-than-expected economic data from the US – including GDP growth and employment numbers – lowered the possibility of rate cuts soon, which weighed heavily on precious metals including gold and silver. According to the CME's Fedwatch, the market is currently assigning just a 12% probability of a rate cut in September compared to 35% at the start of the month. The market will also be watching today's release of the US Personal Consumption Expenditures Index to gauge inflation. Physical demand for gold could also be stronger, especially from India, due to import duty cuts and the recent price correction.

In base metals, copper dropped below the $9,000/t level yesterday for the first time since early April amid a weakening outlook for demand in China. Copper is now down around 20% since a record hit in May. Sentiment has worsened after last week's China Third Plenum failed to lay out more policies to prop up demand for metals. In particular, metal markets have been looking for signs that the government will take action to address the country's prolonged property slump, the biggest driver for industrial metals demand, but the lack of short-term stimulus disappointed. We believe the continued weakness in the sector remains the main downside risk to our outlook for industrial metals. In the short term, risks remain to the downside for both physical demand and sentiment, particularly related to China and the slowdown in the country's property and construction sectors. This also means that copper prices are likely to remain volatile, responding to any changes in Chinese policies.

Steel inventories at major Chinese steel mills rose for a second consecutive week to 16.3mt in mid-July, up 5.8% compared to early July, according to data from the China Iron and Steel Association

(CISA). Steel inventories are 4% higher than in the same period last year. Crude steel production at major mills fell marginally by 0.2% from early July to 2.15mt/d (the lowest in three months) in mid-July, as domestic steel mills continued maintenance work on their blast furnaces in response to expanded losses.

Agri – UNICA reports lower cane crush

Sugarcane crushing in Centre-South Brazil was weaker over the first half of July, with rains in some regions disturbing the pace of crushing. Data released by UNICA shows that sugar cane crushing in the region fell to 43.2mt for the first half of July, down 11.1% from a year ago. The cumulative cane crushing rose 8.7% YoY for the 2024/25 season to reach 281.6mt. Meanwhile, sugar production dropped to 2.9mt (-9.7% YoY) over the fortnight, with around 49.9% of cane allocated to sugar production. Cumulatively, sugar production rose by 10.4% YoY to 17.1mt. Sugar prices received a boost yesterday with No.11 raw sugar rising over 4% day-over-day to close at USc18.7/lb after declining for seven consecutive sessions, following supply concerns from Brazil due to recent floods for the ongoing season.

In its latest cereals market situation report, the European Commission estimated that the bloc's grain production could fall to 271.6mt for the 2024/25 season, compared to its previous projections of 274.7mt. This is largely driven by a decrease in soft wheat production estimates, which fell from 121.9mt from June projections to 120.8mt for the period mentioned above due to a reduction in harvest area to 20.7m hectares from 21m hectares. Similarly, corn production estimates were also revised down to 62.9mt, down from previous estimates of 64.8mt.

US weekly net export sales for the week ending 18 July show strong demand for US soybeans and corn, while wheat shipments fell over the week. US corn shipments surged to 1,076.6kt, higher than the 923.5kt a week ago and 650kt for the same period last year. This was also higher than the average market expectations of 793kt. Similarly, soybean shipments rose to 918.3kt, higher than the 735.1kt reported in the previous week and 743.1kt a year ago. The market was expecting a number closer to 930kt. Meanwhile, wheat shipments stood at 309.3kt, lower than the 578.5kt reported a week ago and the average market expectations of 493kt, but higher than the 233.2kt reported a year ago.

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