

The Commodities Feed: Gold surges to record high

Gold touched an all-time high in yesterday's session, boosted by expectations for US rate cuts, geopolitical tensions and China's economic woes



Metals - Gold surges to record high

Gold touched an all-time high in yesterday's session, boosted by expectations for US rate cuts, geopolitical tensions, and China's economic woes. Gold tends to become more attractive in times of instability, and demand has been surging over the past two years. We believe this is likely to continue this year amid geopolitical tensions and the current economic climate. Gold rose to a high of \$2,141.79/oz on Tuesday, surpassing the previous high reached in December.

We think Federal Reserve policy will remain key for the outlook of gold prices in the months ahead. Higher borrowing costs are typically negative for gold, which doesn't offer any interest. Gold prices will remain volatile in the coming months as the market reacts to macro drivers, tracking geopolitical events and Fed rate policy. We expect gold prices to trade higher this year as safe-haven demand continues to be supportive amid geopolitical uncertainty with ongoing wars and

the upcoming US election.

Still, we believe the Federal Reserve's wait-and-see approach will keep the rally in check. The higher-for-longer narrative could see a stronger dollar for longer and weaker gold prices.

Energy – Saudi Arabia hikes its official selling price for Asia

Oil prices traded in positive territory in the early trading session today following Saudi Arabia's move to increase oil prices for Asian buyers while API reported a smaller oil inventory build in the US. The prompt time spreads for both ICE Brent and NYMEX WTI continue to trade in backwardation suggesting concerns over tightness in the market in the short term.

Saudi Arabia has increased its official selling prices (OSP) for its main oil grade for Asian buyers following the OPEC+ decision to extend the oil output cuts until 2Q24. The flagship Arab Light into Asia saw its OSP rise by US\$0.20/bbl to US\$1.70/bbl over the benchmark for April, higher than the average market expectations of around US\$1.5/bbl. Meanwhile, Aramco lowered its premium for European buyers by around US\$0.6-0.7/bbl, while the prices were left essentially unchanged for US buyers.

Latest data from the American Petroleum Institute (API) shows that the US crude oil inventory increased marginally by 0.4MMbbls last week, compared to the average market expectations for a build of around 1.7MMbbls/d. Similarly, Cushing crude oil stocks are reported to have increased slightly by 0.5MMbbls. Meanwhile, product inventories extended the declines, with gasoline and distillate stocks falling by 2.8MMbbls and 1.8MMbbls, respectively, over the week ending 1 March. The more widely followed EIA inventory report will be released later today.

Agriculture – Ukraine grain shipments decline

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2023/24 season dropped to 30mt as of 5 March, a decline of 9% year-on-year. The above includes wheat exports of 12mt, up 4% YoY, and corn shipments of 16.1mt, down 16% YoY. Ukraine grain exports have been recovering to pre-war volumes, as agriculture exports shipped through sea routes have recovered and the dependency on the overland corridor across the western border is decreasing.

Weekly data from the European Commission shows that soft wheat exports for the season so far fell 2% YoY to reach 21mt as of 28 February, down from 21.9mt for the same period last year. The decline was mainly due to the availability of cheaper supplies from Ukraine. The primary destinations for these shipments were Morocco, Nigeria, and Algeria. Meanwhile, EU corn imports dropped 40% YoY to 12mt in the season due to higher domestic output this year.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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 www.ing.com.