The Commodities Feed: Gold surges to record high

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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.

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