

## The Commodities Feed: Gold trades softer on lower rate cut expectations

Gold is softer this Thursday as stronger economic data and positive sentiment in the broader financial markets have eased Fed rate cut expectations for the March meeting. Meanwhile, a stronger EIA report pushed ICE Brent above US\$80/bbl



### Metals – Gold trades softer

- Gold has been trading lower as the prospect of a rate cut in March eased amid positive economic data and overall sentiment in the broader financial markets. The US composite PMI advanced to 52.3 in January, the highest level since June 2023, as service sectors show a rebound. The eurozone composite PMI also increased from 47.6 to 47.9 in January, indicating early signs of bottoming out, although it still remains in the contraction zone. The positive economic data hints that the US Fed may opt to wait before cutting rates, which weighed on gold demand. Investment demand for gold remains soft, with total known ETF holdings of gold falling by around 1.3mOz in the month so far to a total of 84.3mOz as of 24 January, the lowest level in nearly four years.

## Energy – The EIA reports a tight crude oil market

- Crude oil prices recovered yesterday and have been trading on a firmer note this Thursday on a constructive report from the EIA on US crude oil inventory. The ongoing tensions in the Middle East, combined with positive economic data, further helped oil prices to trade higher. ICE Brent has been trading comfortably above US\$80/bbl today, while NYMEX WTI also inched up to US\$75.5/bbl. Brent-WTI spread has narrowed to US\$4.9/bbl currently compared to a high of around US\$5.8/bbl last week as the cold wave in the US tightens supplies in the US market.
- The weekly report from the Energy Information Administration shows that the US crude oil inventory dropped by a huge 9.2MMbbls over the last week. The withdrawals are significantly higher than the 6.7MMbbls of withdrawal that API reported or the market expectations of around 0.9MMbbls/d of withdrawal. Crude oil inventory at Cushing, Oklahoma, dropped by around 2MMbbls over the week. Crude oil imports into the country dropped by around 1.8MMbbls/d over the week, which helped to tighten the supplies.
- Refinery operating rates in the country dropped sharply by 7.1% over the week to 85.5% as of 19 January as the cold snap pushed a large part of the refining capacity to close temporarily. Gasoline inventory increased by around 4.9MMbbls over the last week, while distillate inventory was down 1.4MMbbls. The market expected inventory build-up of gasoline and distillate at around 1.4MMbbls and 0.6MMbbls, respectively.
- European gas prices increased yesterday as Qatar delayed some of the LNG deliveries into the region due to ongoing conflict around the Red Sea trade route. The longer route around the Cape of Good Hope adds around ten days of transport time for the LNG cargoes, which has pushed up gas prices in the immediate term. That said, total LNG supplies remain largely unaffected for now, and exports from Qatar remain at a healthy pace.

## Agriculture– Coffee quality premium shrinks

- The spread between Robusta and higher-quality Arabica coffee tightened to around US¢40/lb yesterday as Robusta prices soared to new highs – the premium reached a recent high of around US¢80/lb in December 2023. Robusta coffee's active contract jumped to an all-time high of US\$3,250/t yesterday at one point as supply disruptions from Vietnam and Brazil added to the supply tightness. The soaring prices have pushed farmers to hold onto the existing inventory in hopes of even higher prices, creating supply-demand imbalances. Moreover, the ongoing conflict around the Red Sea route makes it more challenging for Vietnamese coffee to reach the US and Europe.

### Authors

#### **Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

#### **Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto: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 <http://www.ing.com>.