

The Commodities Feed: Higher prices help oil supply

The Energy Information Administration (EIA) has revised its oil production estimates for 2023 and 2024 higher as stronger oil prices improve the profitability of oil exploration



Energy – EIA revise higher oil production

In its latest short-term energy outlook report, the EIA revised up domestic oil production estimates as higher oil prices should help domestic producers push up spending and production plans. The administration estimates that US oil production will increase to an average of 12.8MMbbls/d for 2023 compared to its earlier estimates of 12.6MMbbls/d and output of 11.9MMbbls/d in 2022. For 2024, production estimates are revised higher to 13.1MMbbls/d compared to earlier estimates of 12.9MMbbls/d. Meanwhile, US demand for crude oil is revised higher from 20.44MMbbls/d to 20.47MMbbls/d in 2023, compared to 20.28MMbbls/d of consumption in 2022. However, for 2024, the consumption estimates were revised down to 20.75MMbbls/d compared to earlier estimates of 20.79MMbbls/d.

Meanwhile, the American Petroleum Institute (API) reported that the US crude oil inventories increased by 4.1MMbbls over the last week, in contrast to market expectations of a drawdown of around 0.2MMbbls. However, Cushing crude oil stocks are reported to have decreased by

0.1MMbbls. On the products side, API reported that gasoline and distillates inventories fell by 0.4MMbbls and 2.1MMbbls respectively, over the week ending 4 August. The more widely followed EIA report will be released later today.

China could increase crude oil processing at domestic refineries in August as some of the plants complete maintenance and ramp up output. According to OilChem, operating rates at state refineries could increase to 81.25% in August compared to around 80% in July.

Metals – Peru copper output rises

Peru's latest official numbers show that copper output in the nation rose almost 22% year-on-year (+3% month-on-month) for a fourth straight month to 241.8kt in June. It is reported that output gains from mines like Anglo American's new Quellaveco mine, with output standing at 28.3kt, and MMG's Las Bambas mine, with a production of 26.6kt, contributed to Peru's overall copper production growth in June. Cumulatively, copper production grew by 17.6% YoY to 1.32mt over the first half of the year. Amongst other metals, zinc production in the nation rose by 31.5% YoY to 134.8kt in June.

Meanwhile, the latest LME COTR report shows that net bullish positions for copper increased by 2,248 lots (after two consecutive weeks of decline) to 53,996 lots as of last Friday. Among other metals, speculators increased their net long positions in zinc by 4,524 lots for a sixth consecutive week to 37,548 lots in the week ending 4 August. In contrast, speculators decreased their net long positions in aluminium by 790 lots to 100,7333 lots as of last Friday.

Agriculture – EU's wheat exports remain soft

In its latest report, the European Commission revealed that the EU's soft wheat exports for the ongoing season stood at 2.92mt as of 6 August, down by 16% compared to 3.48mt reported in a similar period a year ago. The major destinations for these shipments were Morocco, Algeria, and Nigeria. The commission added that the nation's corn imports stood at 1.39mt, down 33% compared to a year ago.

Cocoa has been trading volatile recently as the weather conditions in the major cocoa-producing countries in West Africa remain uncertain, especially given the current growing season. The weather has turned favourable in some of the countries including Ghana, Ivory Coast and Cameroon with dissipating rains and increasing sunshine which could help the plants to grow and control the diseases. Nigeria witnessed some heavy showers towards the end of July that increased supply risks and supported prices.

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