

The Commodities Feed: Hurricane concerns ease

Oil prices have come under some pressure as the worst of Hurricane Beryl has passed



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Energy – RBOB spec short grows

The worst of Hurricane Beryl appears to have passed and now the market awaits an assessment of damage to energy infrastructure along the Texan coast. Early indications suggest that most energy infrastructure has come through unscathed. Some refineries, offshore oil and gas platforms, ports and LNG facilities were shut as a precaution. Some of this infrastructure is already resuming operations, such as the Port of Corpus Christi - a key crude oil export hub for the US. The price action in crude oil and refined product cracks also suggests the market is little concerned about potential disruptions. Front-month WTI futures settled 1% lower yesterday. US Gulf Coast cracks were little changed, while diesel cracks traded weaker yesterday.

Delayed COT data from the CFTC shows that the managed money gross short in NYMEX RBOB increased by 5,093 lots over the last reporting week to 36,729 lots. This is the largest short held by speculators in RBOB gasoline since 2017. In the lead-up to the summer driving season, there have been concerns over the performance of gasoline demand, which is trending below year-ago levels.

The EIA will release its latest Short-Term Energy Outlook today. This will include its latest US oil and gas production forecasts for the remainder of this year and 2025. Last month the EIA forecast that US crude oil production would grow by 310k b/d YoY to a record 13.24m b/d in 2024, and then a further 470k b/d in 2025 to 13.7m b/d. For natural gas, last month the agency forecast that US dry natural gas production would fall 1.7bcf/d YoY to 102.1bc/d in 2024, before growing 2.3bcf/d in 2025. The US oil rig count has fallen further over the last month, which could lead to some small revisions lower.

European natural gas prices came under pressure yesterday. TTF settled 2.36% lower on the day taking that market to its lowest level since mid-May. There had been some concern that hurricane activity in the US Gulf of Mexico could disrupt LNG exports. European gas storage continues to look very comfortable at around 79% full - similar to the level seen at the same stage last year. We continue to hold the view that in the absence of supply disruptions, TTF should trade lower from current levels.

Metals – China gold reserves unchanged

The People's Bank of China didn't add gold to its reserves for a second consecutive month in June. Prior to May, the PBoC had an 18-month buying spree that had driven gold prices to record highs. Bullion held by the PBoC was unchanged at 72.8 million troy ounces at the end of last month. Meanwhile, the Reserve Bank of India added more than nine tonnes in June – the most since July 2022, according to the World Gold Council (WGC). India's reserves have expanded by 37 tonnes this year to 841 tonnes. We still expect central bank demand to remain strong amid the current economic climate and geopolitical tensions. A recent survey by the World Gold Council indicates that central bank purchasing will remain strong, with 29% of central bank respondents intending to increase their gold reserves in the next 12 months – the most since the WGC started a gold reserve survey in 2018. In 2023, central banks added 1,037 tonnes of gold – the second-highest annual purchase in history – following a record high of 1,082 tonnes in 2022.

Agriculture – US winter wheat harvest progressing well

The USDA's export inspection data for the week ending 4 July shows that US exports for corn and wheat remained strong over the last week. US weekly inspections of corn for export stood at 1,023.9kt, higher than the 831.2kt in the previous week and 375.6kt reported a year ago. Similarly, export inspections for wheat stood at 341kt over the week, up from 335.2kt the previous week but down from the 419.4kt reported a year ago. US soybean export inspections fell marginally to 273.3kt compared to 319.8kt from a week ago and 300.9kt seen a year earlier.

The latest crop progress report from the USDA shows that the US corn crop is in relatively good condition with 68% of the crop rated good-to-excellent, up from 55% at the same stage last year. Similarly, 68% of the soybean crop is rated good-to-excellent, compared to 52% at the same stage last year. Finally, the winter wheat harvest is progressing well. 63% of the crop is harvested, well above the 43% harvested at the same stage last year and also above the 5-year average of 52%.

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