

The Commodities Feed: Hurricane risk lingers

Oil prices remain relatively well supported amid continued hurricane activity in the US Gulf of Mexico. A shift in Hurricane Beryl's path puts refinery infrastructure in Texas at risk



Energy – Hurricane risk lingers

The oil market managed to eke out its fourth consecutive weekly gain with ICE Brent settling marginally higher on the week. Hurricane activity in the Gulf of Mexico has provided some support. Hurricane Beryl has recently shifted course and is moving towards Texas. While this puts some offshore oil and gas production at risk, the concern when the storm makes landfall is the potential impact it could have on refinery infrastructure. Any meaningful disruptions to Texas refinery operations will likely support refined product cracks. Any prolonged refinery outages would be bearish for crude oil and bullish for refined products.

The latest positioning data shows speculators increased their net long in ICE Brent by 37,440 lots, leaving them with a net long of 195,811 lots as of last Tuesday. The move was driven predominantly by fresh longs entering the market. The CFTC's COT data will only be released today due to last week's public holiday in the US.

There is plenty on the energy calendar today with all three key agencies releasing their latest

outlooks. The EIA will release its Short-Term Energy Outlook on Tuesday, which will include its latest forecasts for US oil and gas production as well as its outlook for the global oil market. Wednesday will see OPEC publish its monthly oil market report. The market will be watching closely to see whether the group makes any downward revisions to its oil demand growth forecasts. In recent months the divergence between OPEC and the IEA on the demand outlook has grown. Finally, the IEA will release its latest monthly oil market report on Thursday.

Metals – Chinese copper premium climbs

Recent data from the Shanghai Metals Market (SMM) shows that the premium paid on imported copper climbed back to positive territory for the first time in almost two months as demand slowly recovers. The Yangshan copper premium paid on top of global exchange prices rose to \$3/t on Friday (the highest since 10 May 2024). However, there are still signs of subdued domestic demand. Shanghai Futures Exchange (ShFE) inventory data showed copper stocks rose by 2,121 tonnes last week to 321,642 tonnes after decreasing for three consecutive weeks.

In other metals, aluminium inventories increased 3.9% WoW to 244,020 tonnes - the highest level since 21 April 2023. Zinc and lead stocks rose 0.2% and 4.3% respectively. In contrast, nickel inventories fell 4.2% to 21,490 tonnes.

In precious metals, gold edged higher on Friday with prices heading towards \$2,400/oz as recent US data pointed towards slowing wage growth and a rising unemployment rate in the job market. The dollar index fell sharply while US 10Y bond yields also declined amid signs of gradual cooling in the US labour market. This has once again raised hopes for a rate cut in September with futures markets now pricing in an 81% chance of a rate cut in two months.

Agriculture – Strong US wheat export sales

The latest data from France's Agriculture Ministry shows that 1% of soft wheat has been harvested as of 1 July, below the 8% harvested a year ago and a five-year average of 5%. The corn crop is rated 82% good to excellent condition, marginally down from 81% the previous week, and below the 83% seen at the same stage last year.

US weekly net export sales for the week ending 27 June show strong demand for US wheat, while soybean and corn shipments fell over the week. Weekly export sales of soybeans were down to 378.7kt for the week, lower than the 384.7kt a week ago and 780.6kt the same time last year. The number also came in well below expectations with the market expecting a number above 500kt. Similarly, corn exports fell to 668.7kt, marginally lower than 681.5kt in the previous week and 669.7kt a year ago. The market was expecting a number closer to 880kt. In contrast, US wheat shipments stood at 805.3kt, above the 667.2kt reported a week ago and 402.8kt for the same period last year. It was also above expectations of around 560kt.

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