

The Commodities Feed: IEA sees tighter oil market

Oil rallied to its year-to-date highs yesterday as the International Energy Agency said it is now expecting a supply shortfall of around 0.3MMbbls/d for the year. Meanwhile, escalating tensions between Russia and Ukraine continued to provide support



Source: Shutterstock

Energy: Oil rises on the IEA's oil supply deficit forecasts

ICE Brent surged above US\$85/bbl while NYMEX WTI rose over US\$81/bbl yesterday for the first time this year, as the IEA flipped its supply surplus estimates to a deficit in 2024 assuming that OPEC+ continues to trim output over the second half of the year. Meanwhile, continued tensions between Russia and Ukraine also added to the risk premium for oil.

In its latest monthly oil market report, the IEA made some upward revisions to its demand growth forecasts while lowering global supply estimates on output cuts from OPEC+ in 2024. The IEA now estimates global oil demand to increase by 1.3MMbbls/d in 2024 to 103.2MMbbls/d, up by around 0.11MMbbls/d compared to its previous estimates. On the supply side, the IEA estimates global supply to increase by 0.8MMbbls/d this year to 102.9MMbbls/d, including a downward adjustment to OPEC+ output. As per recent estimates, the oil market could encounter a supply deficit of

0.3MMbbls/d in 2024, compared to an earlier estimate of 0.8MMbbls/d of surplus.

The latest data from Insights Global shows that refined product inventories in the ARA region decreased by 30kt over the last week to 6mt. The decline was predominantly driven by fuel oil stocks falling by 132kt for a fifth consecutive week to 1.51mt. Meanwhile, weekly gasoline stocks saw a marginal decline of 2kt over the reporting week to 1.23mt. However, gasoil stocks in the region rose by 74kt to 2.11mt over the last week.

Elsewhere, data from Singapore showed that total refined products inventory in the country rose by 4MMbbls (+9% week-on-week) to 47.98MMbbls, the highest since the week ending on 12 April 2023. The decline was led by middle-distillate with inventories rising by 0.8MMbbls (+8% WoW) to 10.8MMbbls/d for the week ending on 13 March 2024, reaching its highest level since the week ending on 22 September 2021. Meanwhile, inventories for residual fuel and light distillate also rose 11% WoW and 7% WoW, respectively.

For natural gas, the EIA reported an inventory withdrawal of 9Bcf for the last week, higher than the market expectations of around 3Bcf withdrawals. However, the pace of inventory withdrawal remains quite below the five-year average fall of 87Bcf, primarily due to warmer-than-normal temperatures over most of the US and sufficient supplies. Natural gas inventories are up almost 17% from the same period last year, while also remaining 37% higher than the five-year average for this time of the year. However, recent weather reports suggest that it might get colder next week in the US, which might provide some support to the suppressed gas prices.

Metals: Iron ore falls below \$100/t

Iron ore extended its decline for a third consecutive day this morning, with prices falling below \$100/t for the first time since August 2023. The raw material prices are down 25% since the beginning of the year primarily due to weaker-than-expected consumption in the Chinese downstream industry. The slow pick-up in steel demand in China (despite March being a seasonal peak consumption month) has also weighed on steel prices, eventually triggering production curbs at some domestic steel mills.

Recent reports suggest that major steel mills in Guangdong province in China will start slashing their production levels on falling steel prices. It is reported that six mills (including one controlled by China Baowu Steel Group) will shut blast furnaces or rolling mills for maintenance during the next four weeks. The shutdown is expected to reduce output between 20% and 50%.

Earlier, data from the China Iron and Steel Association (CISA) also showed that steel inventories at major Chinese steel mills rose 10.3% year-on-year to 19.5mt in early March amid weak demand, this was also up 8.4% compared to levels seen in late February. Meanwhile, total iron ore weekly port inventory in China also rose for a fifteenth consecutive week and reached 138.2mt as of last Friday, the highest since March 2023.

Agriculture: IGC raises global grain production estimates

In its first estimates for 2024/25, the International Grains Council (IGC) forecasts corn production to increase from 1,227mt in 2023/24 to 1,233mt in 2024/25, following the large crop expectations from Brazil and China.

- As for consumption, the council estimates demand to increase to 1,230mt from the

previous year's projections of 1,212mt.

- Meanwhile, the council estimates corn ending stocks to increase from 294mt to 297mt for the period mentioned above.
- Similarly, global soybean production and consumption are estimated to rise to 413mt (+5.9% YoY) and 404mt (+5.5% YoY) respectively.
- Meanwhile, soybean ending stocks could increase to 75mt from last year's estimates of 66mt.
- As for wheat, IGC expects output to increase from 789mt to 799mt in 2024/25, mainly due to rising production in Australia and Argentina. However, ending stocks could drop to 262mt against 267mt at the end of 2023/24.

The latest data from the Uganda Coffee Development Authority show that Uganda's coffee shipment fell 9.4% year-on-year to 434.6k bags of coffee in February. The decline in exports was largely driven by the smaller arabica harvest in the Eastern Elgon region, due to drought-hit yields. Cumulative shipments for the season (October to February) stood at 2.21m bags, down 3.5% YoY.

The USDA's weekly net export sales for the week ending 7 March showed a significant rise in demand for US corn, while soybeans and wheat exports fell over the previous week. Weekly export sales for soybeans were down to 470.3kt for the week, lower than the 679.5kt a week ago and 731.1kt for the same period last year. This was also lower than the average market expectations of 510kt. Similarly, wheat exports stood at 165.1kt for the week, as China cancelled a record number of US wheat shipments total of 504kt (the highest since 1999). The weekly shipments were lower than the 335.1kt reported a week ago and 492.6kt reported a year ago. The market was expecting a number closer to 173kt. Meanwhile, US corn shipments stood at 1,283.4kt, higher than the 1,109.6kt reported a week ago and average market expectations of 1,015kt but lower than the 1,419.7kt reported a year ago.

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