

The Commodities Feed: IEA sees well supplied oil market

Oil rallied yesterday as tensions in the Middle East lingered. Stronger equity markets would have provided some support too



Energy - IEA sees comfortable market

ICE Brent rallied by almost 1.6% yesterday with the US carrying out further airstrikes against the Houthis in Yemen, while the market would have also been supported by the strength in equity markets.

However, the IEA latest monthly oil market report was somewhat bearish. The agency forecasts that global oil demand growth will slow to 1.2m b/d in 2024 from 2.3m b/d in 2023. This is partly driven by the post-COVID demand recovery now largely behind us, while GDP growth this year is also expected to be below trend for most major economies. The IEA expects global oil supply to grow by 1.5m b/d in 2024, almost entirely due to non-OPEC+ production. OPEC+ production is expected to be largely unchanged, although much will depend on OPEC+ policy for the remainder of the year. The IEA sees a substantial surplus in the oil market if OPEC+ unwind their current voluntary cuts in 2Q24.

The EIA's weekly inventory report shows that US commercial crude oil inventories fell by 2.49m barrels over the last week with crude oil exports rising by 1.71m b/d. Refined products saw stocks rising. Gasoline and distillate inventories grew by 3.08m barrels and 2.37m barrels respectively. Next week's release will cover a period in which there were several disruptions due to the freezing

weather conditions across large parts of the US. Crude oil output will likely fall given the outages we have seen in North Dakota, while refinery activity is set to drop as freezing conditions pushed refiners in the Gulf Coast to reduce run rates. There are estimates that around 15% of refining capacity in the US Gulf Coast has been hit due to the colder weather.

Agriculture – Brazil forecast higher coffee output

Brazil's agriculture agency, CONAB, in its first estimates for the 2024 season, expects Brazil's coffee production to rise 5.5% YoY to 58.1m bags. The agency said that favourable weather conditions and a positive semiannual year would increase the coffee harvest area by 0.8% to 2.3m hectares for the 2024 season.

Recent trade numbers from China Customs show that corn imports jumped more than 470% YoY to 4.95mt in December, while cumulative imports rose 31% YoY to 27.1mt over the last year. The pace of imports might continue to remain elevated in the near term, as China approved the import and production of more GMO (Genetically Modified) corn varieties. For wheat, monthly imports fell 44% YoY to 610kt last month. However, cumulative imports are still up 21.5% YoY to 12.1mt in 2023.

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