

The Commodities Feed: Libyan oil output declines

Oil prices have come under renewed pressure despite Libyan oil output declines



Energy – Libyan output declines

Oil prices fell yesterday despite ongoing supply disruptions from Libya. ICE Brent settled a little more than 1.1% lower on the day taking it back below US\$79/bbl. Libyan output has dropped this week by close to 500k b/d, and this is not taking into account the shutting down of the Sharara oilfield earlier this month. A prolonged shutdown from Libya will give OPEC+ a bit more comfort in increasing supply in 4Q24 as currently planned. However, a short-lived disruption makes the OPEC+ decision on supply increases a lot more difficult. Under this scenario, we believe they will be reluctant to bring additional supply to the market when there are still lingering demand concerns.

Yesterday's EIA inventory report was not as constructive as expected. US commercial crude oil inventories fell by 846k barrels over the week, less than the 3.4m barrel decline the API reported the previous day. However, US commercial crude oil stocks have fallen eight out of the last nine weeks, which leaves inventories at their lowest level since January. In addition, crude oil stocks in Cushing fell by 668k barrels WoW to 27.54m barrels - the lowest level since November last year. Gasoline inventories also declined, falling by 2.2m barrels, while distillate stocks increased by a marginal 275k barrels. The fall in gasoline stocks was despite refiners increasing utilisation rates by 1pp over the week. Stronger demand would have driven the stock decline with implied gasoline demand increasing 114k b/d WoW. Over the course of the next month or so, refinery run rates will fall as we move into the autumn maintenance season. This should provide some support to

product markets.

European gas prices edged slightly lower yesterday. However, TTF remains above EUR38/MWh, which is fairly elevated when you consider that storage is now 92% full. There are lingering supply risks facing the market which has kept it relatively well supported. Scheduled maintenance in Norway has seen daily gas flows to Europe fall more than 10% since the start of August. The concern for the market is if any of this maintenance overruns as we move closer towards the 24/25 heating season.

Metals – LME aluminium declines

Base metals saw broad declines yesterday amid a stronger dollar. LME aluminium traded below \$2,500/t following a rise in Chinese inventories. Chinese aluminium stockpiles are at their highest level for this time of year since 2019, having risen 0.5% to 807,000 tonnes as of Monday. The upside to industrial metals is likely capped by macro drivers, including ongoing demand concerns in China.

Agriculture – CS Brazil sugar harvest continues to slow

The latest fortnightly report from UNICA shows that sugar cane crushing in Central-South Brazil stood at 43.8mt over the first half of August, down 8.6% from a year ago amid dry weather and fires in the region. Sugar production also dropped to 3.1mt over the period, down 10.2% YoY, with around 49.3% of cane allocated to sugar production. Despite the lower YoY numbers, sugar prices still traded lower yesterday with the market possibly taking comfort from the higher-than-expected sucrose content reported. The latest numbers leave the cumulative cane crush at 377.4mt, up 4.8% YoY, while cumulative sugar production is still up 5.4% YoY to total 23.9mt.

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