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The Commodities Feed: Markets await election outcome

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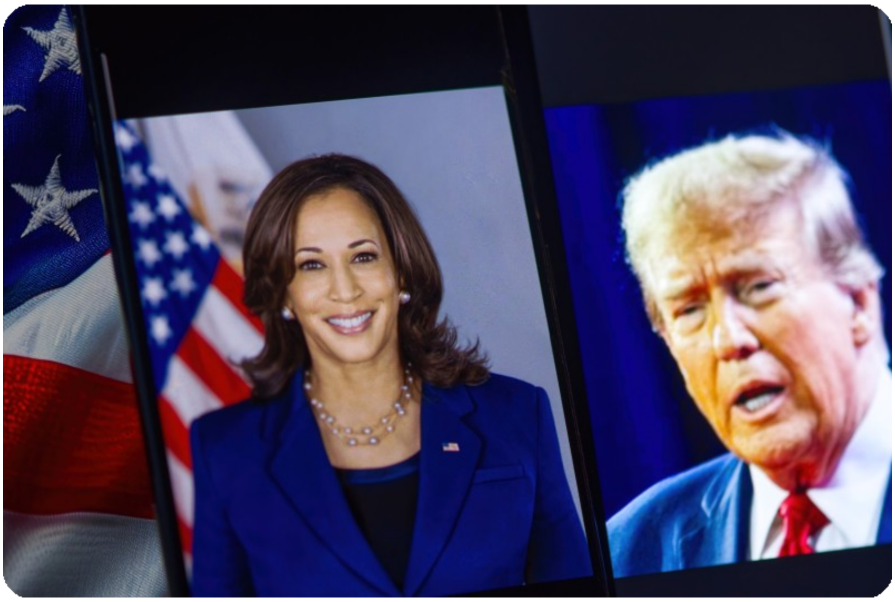

Energy – Middle distillate cracks continue to firm

Oil prices have held relatively steady as markets await the outcome of the US election, in what is expected to be a very close race. ICE Brent settled above $75/bbl yesterday with a weaker USD likely supporting the market. Oil will likely be vulnerable to broader moves in markets as we get more clarity on how the US election plays out. For oil fundamentals, a Trump victory could provide some short-term upside with the risk of stricter sanction enforcement against Iran. However, in the medium to longer term, a Trump victory could be more bearish for oil due to trade and foreign policy. Meanwhile, a Harris victory would likely keep the status quo.

In addition to a weaker USD, a decision by OPEC+ members to delay their gradual increase in supply by one month will also support prices, along with the potential for supply disruptions in the US Gulf of Mexico due to Tropical Storm Rafael.

In refined products, middle distillates continue to strengthen. The ICE gasoil crack is trading at its strongest level since early September. The strength seen in middle distillates has been driven by the jet fuel market, evident in the widening of the jet regrade, which is fairly common as we move into the Northern Hemisphere winter.

Metals – Complex rises on Chinese stimulus hopes

Copper rose for a third straight session with other industrial metals also edging higher yesterday as hopes for more stimulus measures from China supported the complex. Beijing is expected to unveil more support measures this week at the National People's Congress' Standing Committee meeting. In the latest comments, China's Premier, Li Qiang, said that the government has the ability to drive sustained economic improvement and has ample space for fiscal and monetary policy. More fiscal stimulus measures are likely to revive investor sentiment and boost metals prices. Li Qiang also reaffirmed that China would reach its economic growth target of around 5% for the year.

The latest LME COTR report shows that investors decreased their net bullish position in zinc by 3,515 lots to 35,553 lots (the lowest since the week ending 4 October 2024). A similar move was seen in aluminium, with speculators decreasing their net bullish bets by 2,850 lots, after reporting gains for two consecutive weeks, to 124,473 lots over the last reporting week. In contrast, money managers increased net bullish bets in copper by 7,577 lots after reporting declines for three consecutive weeks to 74,752 lots as of last Friday.

Agriculture – ISMA maintains 2024/25 sugar output estimates

The first advance estimates from the Indian Sugar and Bio-energy Manufacturers Association (ISMA) show that gross sugar production in India remains unchanged from its preliminary projections of 33.3mt for 2024/25, compared to output of 34.1mt in 2023/24. The association added that sufficient availability of sugar will sustain the ethanol blending program, while also increasing the chances of exports. There are also suggestions that the government might consider increasing the minimum sale price of sugar in the coming days.

Recent data from the European Commission shows that EU soft-wheat exports for the 2024/25 season dropped to 7.8mt as of 3 November, down 32% compared to 11.3mt reported in a similar period a year ago. Weaker output has weighed on exports.

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