

Article | 26 September 2024

COMMODITIES DAILY

# The Commodities Feed: Oil drops on rising supply prospects

Oil prices fell sharply on reports that OPEC members, particularly Saudi Arabia, are preparing to unwind production cuts even if it means prolonged lower prices. Meanwhile, the inventory report from the Energy Information Administration (EIA) shows a tight physical oil market in the US



Oil prices continued to trade lower this morning extending yesterday's sharp decline

## Energy – Oil sell-off continues

Oil prices continued to trade lower this morning extending yesterday's sharp decline. NYMEX WTI prices fell below US\$68/bbl while ICE Brent was trading around US\$71/bbl. The prospect of rising supply from Libya and Saudi weighed on oil prices, with market participants ignoring a sharp fall in weekly inventory numbers. Recent reports suggest that representatives from Libya's rival eastern and western administrations reached a "compromise" on leadership for the central bank, paving the way to a potential revival in Libyan oil production.

Meanwhile, there are suggestions that Saudi Arabia could focus on regaining the market share and start to unwind voluntary production cuts from December.

Recent reports suggest that BP Plc has experienced delays in restarting its Europoort oil

refinery in Rotterdam following a power outage earlier this month. It is reported that a power recovery turbine was damaged on 3 September, however repairs have now been completed and took about two weeks. The refinery has two main crude processing units with a capacity of 400k bbl/d.

### **Metals – Steel inventories in China continue to rise**

Steel inventories at major Chinese steel mills rose for a second consecutive week to 15.7mt in mid-September, up 4.5% compared to early September, according to the China Iron and Steel Association. Steel inventories are almost at the same level as last year. Meanwhile, crude steel production at major mills rose by 2.7% from early September to 1.99mt/d in mid-September, as more steelmakers (including both blast-furnace mills and mini-mills) were enthusiastic about lifting production after their profit recovered.

### **Agriculture – Ukraine winter grain plantation slows**

Ukraine's Agriculture Ministry reported that the Ukrainian winter grains plantations fell to 944.5k hectares as of 25 September, compared to 1.1m hectares at the same period last year. The decrease was driven largely by winter wheat, where the plantation decreased to 878.8k hectares from 1m hectares over the same period last year, as an intense drought has left the planting area too dry for sowing.

Recent weather reports suggest severe frost across Australia's south and Southeast regions which contributes to around 10% of domestic wheat production. The unfavourable weather conditions could damage the wheat crops in the area that are in their final stage of growth before the harvest season (which usually starts in November). The region was initially expected to produce 3.2mt of wheat, however, that could be slashed by between 10-60% depending on the weather conditions. Total wheat production in Australia could fall below 29mt against earlier predictions of 31.8mt, after factoring in the recent frost conditions.

The latest estimates from Buenos Aires Grain Exchange show that the Argentine soybean crop could rise by 3% YoY to 52mt for the 2025 season. Similarly, wheat production could rise by 23% YoY to 18.6mt. The rise in production estimates is largely attributed to the favourable weather conditions in the country. In contrast, corn production is expected to be around 47mt, down 5.1% YoY for the abovementioned period.

## Author

### **Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

### **Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).