

The Commodities Feed: Oil finds some support

Oil prices appear to have found some support after comments from the Saudi energy minister yesterday who suggested demand remains healthy. Meanwhile, grain prices came under pressure with a relatively bearish WASDE release



Source: iStock

Energy - Oil finding some support

ICE Brent has managed to claw its way back just above US\$80/bbl, whilst prompt timespreads have also bounced back a bit. Comments from the Saudi energy minister yesterday appear to have provided some comfort to the market, with the minister stating that oil demand remains healthy and that the move lower seen in oil prices has been driven by speculators rather than fundamentals. The minister stated that increased exports from the Middle East does not reflect increased output, but rather a seasonal trend as stronger summer demand in the Middle East eases.

We believe that the scale of the sell-off in oil is exaggerated given that fundamentals are still tight at least in the short term. However, fundamentals are not as bullish as originally anticipated with Russian oil exports edging higher, whilst refinery margins have also been weakening.

Middle distillates remain tight despite the more recent weakness in cracks. Gasoil inventories in the ARA region fell by 47kt last week to 1.72mt, according to data from Insights Global. This leaves inventories at similar levels to those seen at the same stage last year, and around 24% below the 5-year average. The middle distillate market remains vulnerable as we head deeper into the northern hemisphere winter.

Agriculture - Bearish WASDE

Grain prices came under pressure yesterday after a fairly bearish WASDE report. In its latest monthly update, the USDA revised up its 2023/24 US corn output estimate by 170m bushels to 15.2bn bushels, due to an upward revision in yields. As a result, 2023/24 ending stock estimates are now seen at 2.16bn bushels, up 45m bushels from last month's estimate and above market expectations of around 2.14bn bushels. For the global corn balance, 2023/24 ending stock projections were revised up - from 312.4mt to 315mt primarily due to larger supplies and higher beginning stocks. This was above the roughly 312mt the market was expecting.

For soybeans, the agency revised up its 2023/24 US soybean production estimates from 4,104m bushels to 4,129m bushels on the back of better yields. Stronger output means that ending stocks were revised up by 25m bushels to 245m bushels, higher than market expectations of around 225m bushels. Meanwhile, global soybean ending stock estimates were revised down from 115.6mt to 114.5mt, primarily due to lower beginning stocks amid flat demand. This is slightly below what the market was expecting.

Finally for wheat, the USDA increased its 2023/24 US ending stocks estimates from 670m bushels to 684m bushels following a drop in domestic use. The market was expecting stocks to remain unchanged from last month's estimate. As for the global wheat balance, 2023/24 ending stock estimates were increased from 258.1mt to 258.7mt, slightly above expectations of around 257.8mt.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@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 <http://www.ing.com>.