

## 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.

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