The Commodities Feed: Oil holds steady

Crude oil is trading flat this morning as the market remains cautious amid the developing situation in the Middle East, although demand concerns remain. Meanwhile, a constructive report by the American Petroleum Institute (API) supports sentiments in the immediate term

Recent reports suggest Iran encountered an oil leak yesterday near its top export terminal in the Persian Gulf

Energy – API reports oil inventory draws

NYMEX WTI hovered near $70/bbl while ICE Brent was trading just below $75/bbl this morning as market participants await fresh updates from the Middle East. Meanwhile, market outlooks released by OPEC and IEA this week suggested sluggish demand and a sizable supply surplus for the next year, which is keeping pressure on oil prices.

API numbers released overnight were somewhat constructive for the oil market. The institute reported that US crude oil inventories dropped by 1.6m barrels over the last week, in contrast to the market expectations of a build of 1.5m barrels. The API also reported large inventory draws for products, with gasoline and distillate stocks falling by 5.9m barrels and 2.7m barrels respectively. The more widely followed EIA report will be released later today.

Recent reports suggest Iran encountered an oil leak yesterday near its top export terminal in the Persian Gulf. The leak happened on subsea pipelines close to the Kharg Island export terminal. However, the cause of the incident and its impact on exports are still not clear, while authorities have already started efforts to contain the leak.

US natural gas prices continued the bearish trend yesterday. The front-month Henry Hub contract declined more than 5% to settle at US$2.37/MMBtu yesterday amid unfavourable weather conditions. The latest weather forecasts suggest that temperatures have shifted warmer for most of the US, signalling weakening demand for the power-plant fuel. The EIA will release its weekly US natural gas storage report today and expectations are that natural gas inventories increased by around 77.5Bcf over the last week. Total US storage stands at 3,629Bcf, 5.1% above the five-year average as of 4 October.

Meanwhile, European gas prices also came under pressure on reports of stronger LNG flows. Recent data from Bloomberg suggests that flows from terminals that import liquefied natural gas in northwest Europe rose to the highest level since April earlier this week. An unusually mild autumn across Europe could also weigh on the gas demand for heating purposes over the next few days. Meanwhile, European storage remains higher at 95% full as of 15 October, above the five-year average of 92%.

Metals – Complex moves lower

Industrial metals edged lower while iron ore fell towards a three-week low this morning despite China’s latest efforts to boost support for its struggling property sector. In its latest briefing, China announced it will expand the “white list” of housing projects eligible for bank financing and increase bank spending for such development to 4 trillion yuan. In January, China announced a plan for a "white list" of projects that can receive financing to ensure that developers can complete construction and deliver homes to buyers. In a briefing this morning, the Minister of Housing announced they will expand urban redevelopment to help absorb housing inventories. The housing minister also said that the property market has started to “bottom out”. However, the market was somewhat disappointed that no new stimulus measures were announced.

Spot gold prices hovered near record highs in the early trading session today as market participants await the release of US economic data points later today. Meanwhile, uncertainty over the US presidential elections, which are less than three weeks away, continues to support safe-haven demand.

Agriculture – France lowers soft wheat export estimates

France’s Agriculture Ministry estimated French soft wheat exports for the 2024/25 season at 10mt, slightly lower than the previous estimates of 10.1mt. The downward revision in export estimates could be largely attributed to a 61% decline in sales outside the EU nations. Soft wheat stockpiles are seen at 2.5mt, down from earlier estimates of 2.75mt. As for corn, export estimates were increased from 4.5mt to 4.7mt, while inventories were seen at 2.4mt (vs previous estimates of 2.6mt) for the period.

Recent estimates from the UK’s Agriculture Board show that wheat production in the nation is expected at 11.1mt in 2024, down from 14mt seen last season. This was also 21% below the five-year average. The decline in production will mean the country is more reliant on imports than usual this season.

Author

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

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