

# The Commodities Feed: Oil looking for a floor

The macro picture continues to dictate oil price action. However, fundamentals later this year remain constructive



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## Energy - Oil fundamentals still supportive

The oil market is set for its third consecutive week of declines over growing demand concerns. At US\$72.50/bbl, ICE Brent is down almost 9% over the course of the last week. Sentiment clearly remains negative, which suggests that there could be some further downside in the near term, although, we would expect the market to find good support near the March lows of around US\$70/bbl. While sentiment is negative at the moment, the market is in oversold territory and our balance sheet still shows that the market will be in deficit over 2H23, which should drive prices higher.

OPEC+ has announced that their next meeting in Vienna on 3-4 June will be held in person. The last time the group held an in-person meeting was back in October last year when the group announced that they would reduce production targets by 2MMbbls/d. Clearly, if the current downward trend continues in prices, the group would likely be forced to make further supply cuts.

Saudi Arabia lowered its official selling prices (OSPs) for all grades of its crude oil into Asia for June.

The OSP for Arab Light into Asia was lowered by US\$0.25/bbl MoM to US\$2.55/bbl over the benchmark. Meanwhile, all grades into Europe were increased for the month, while most grades into the US were left unchanged with the exception of Arab Light, which was cut by US\$0.50/bbl. Lower OSPs will be helpful for Asian refiners, who have been dealing with weaker margins recently.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 318kt over the week to 6.26mt. The increase was driven by fuel oil and gasoil. Stocks grew 171kt and 109kt respectively. At 2.35mt, gasoil inventories remain above the 5-year average. In Singapore, refined product stocks fell by 2.27MMbbls over the week to 43.96MMbbls. This was largely a result of a fall in residual fuel oil inventories.

## Agriculture – Black Sea grain deal uncertainty

Uncertainty in the wheat market remains due to the Black Sea grain deal. The deal is set to expire on 18 May and discussions are expected to take place today with the hope that the deal is extended sometime next week. Recent Russian accusations of a Ukrainian drone attack on the Kremlin raise concern over Russia's willingness to extend the deal.

The latest data from the International Coffee Organization shows that global coffee exports stood at 12.02m bags in March, down 9.3% YoY. This includes Arabica exports of 6.8m bags (down 14% YoY) and Robusta exports of 5.3m bags (down 2.2% YoY). Cumulative exports between October 2022 and March 2023 stood at 62.3m bags, down 6.4% YoY.

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