The Commodities Feed: Oil remains volatile

ICE Brent managed to move above $81/bbl yesterday amid ongoing concerns in the Middle East. However, the rally faded this morning as China refrained from announcing any new supportive measures to boost the economy

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Energy – ICE Brent moves back below $80/bbl

Oil prices continued their move higher yesterday with ICE Brent closing just below $81/bbl amid fears over oil infrastructure in the Middle East if Israel-Iran conflict escalates further. Meanwhile, a threat of supply disruptions from the Gulf of Mexico due to Hurricane Milton further boosted optimism. However, prices failed to hold on to gains this morning with both ICE Brent and NYMEX WTI falling almost 2%, as China failed to meet the market expectations for more government spending. Meanwhile, reports of rising oil supply from Libya only added further pressure.

In a press conference, China's National Development and Reforms Commission (NDRC) failed to announce any new supportive measures. Without policy support, an economic slowdown could keep China's oil demand subdued in the short to medium term.

Meanwhile, the latest comments from the NDRC also suggest that China has enough stocks of heating fuel to ensure safe supplies during the peak winter season. The nation has coal inventories with domestic power plants at around 200mt (which can cover 30 days), while it has 8bcm natural gas reserves to meet peak demand.

There are suggestions that crude oil production in Libya has climbed above 1m bbls/d for the first time in two months, following the resolution of a political standoff. Reports suggest that oil output in the region reached 1.1m bbls/d, following the removal of a blockage by the eastern government on 3 October. Meanwhile, oil output in the Sharara oil field increased to around 240k bbls/d (rising towards its full capacity), while Waha Oil Co. was operating at half of its normal capacity and produced around 150k bbls/d of oil as a pipeline is being repaired. Libya normally produces more than 1.2m bbls/d, which fell to under 450k bbls/d in August due to political tensions.

Data from India's Petroleum Planning & Analysis Cell (PPAC) shows that oil product consumption in September fell 1.6% year-on-year to 17.9mt, the lowest since September 2022. In products, diesel demand dropped 1.9% YoY to 6.4mt, while gasoline demand rose by 3% YoY to 3.15mt in the last month.

Metals – China briefing disappoints

Industrial metals declined this morning with disappointment over China sparking a risk-off move. Iron ore slumped from a five-month high while base metals fell as an anticipated briefing by China's top economic planner this morning mostly disappointed by failing to offer new pledges. Beijing said it is confident in reaching its economic targets this year and promised to further support growth, although it held back on unleashing more major measures.

Late last month Beijing released a slew of stimulus measures, including interest rate cuts and targeted support for the property sector that had sparked a rally across industrial metals.

China, the world's biggest consumer of metals, has been a drag on metals demand for more than two years. A broad economic slowdown and, in particular, the crisis in the property sector has seen copper and other industrial metals prices slump.

In nickel, Vale reported a temporary interruption of operations at the Onca Puma mine in Brazil due to power grid damage on 5 October. The strong winds damaged the electricity transmission network over the weekend, which is expected to be restored by 15 October. Vale preliminarily estimates an impact of 1.5kt-2.0kt on nickel production in the fourth quarter, however does not expect any change in the set output guidance of 153kt-168kt for the year.

Agriculture – US crops progressing well

The USDA's latest crop progress report shows that 64% of the US corn crop is in good to excellent condition, up from 53% at the same stage last year. Meanwhile, the harvest is progressing well with 30% of the crop harvested, almost in line with 31% seen a year ago and above the five-year average of 27%. As for the soybean crop, 63% is rated good to excellent, up from 51% at the same stage the previous year. The harvest is progressing well, with 47% of the area harvested, up from 37% at the same stage last year and a five-year average of 34%. Finally, 51% of the winter wheat area has been planted, slightly down from 52% at the same stage last year and a five-year average of 52%.

The latest data from Ukraine's Agriculture Ministry shows that grain exports for the season so far rose 56% YoY to 11.2mt as of 7 October, up from 7.2mt for the same period last year. The increase was driven largely by wheat, with the exports rising significantly by 80% YoY to 6.5mt. Similarly, corn exports stood at 3mt, in line with last year's exports. The rise in grain exports was largely attributed to the increase in grain harvest this season. Meanwhile, farmers have already harvested 37.3mt of the grains for the period.

Meanwhile, the weather conditions in the major cocoa-producing countries in West Africa remain uncertain. Rains in Cameroon and Ivory Coast regions have difficulty drying the beans and are hampering harvest as the main crop arrives. In contrast, the weather has turned favourable in some countries including Ghana and Nigeria, with proper rains and sunshine which could help plants to grow and project pods to develop fully.

Recent data from the International Coffee Organisation (ICO) shows that global coffee exports stood at 10.9m bags in August 2024, up 6.5% compared to 10.3m bags reported a year ago. This includes Arabica exports of 6.5m bags (+2.3% YoY) and Robusta exports of 4.4m bags (+13.5% YoY). This leaves total coffee shipments between October 2023 and August 2024 at 125.7m bags, up 9.9% YoY.

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