

The Commodities Feed: Oil rises amid declining US inventories

Oil prices recovered this morning following a bullish API inventory report. However, the IEA's outlook on the market was relatively bearish



Energy – Bullish API report

Oil prices rebounded in the early trading session today, with the ICE Brent front-month contract trading above \$81/bbl following a larger-than-expected oil inventory withdrawal reported by API. If confirmed by the Energy Information Administration (EIA), this would be the seventh weekly decline in a row. Geopolitical risks in the Middle East remain elevated, with the market allocating an increased risk premium for oil because of uncertainty over any Iranian response to Israel.

The API reports that US crude oil inventories fell significantly by 5.2m barrels last week, compared to the market expectations for a draw of just 0.9m barrels. Crude stockpiles at Cushing decreased by 2.3m barrels. Product inventories remained mixed, with gasoline stocks falling by 3.7m barrels while distillate inventories rose by 612k barrels. The more widely followed EIA inventory report will be released later today.

The IEA's monthly oil market report was somewhat bearish, with the agency slightly revising down its demand growth forecasts for next year. It now expects global oil demand to grow by 950k b/d in 2025, down 30k b/d from their previous estimates. This revision lower is largely due to the impact of weaker Chinese consumption. However, the IEA left the demand estimates unchanged at 970k b/d for 2024. Earlier, OPEC also lowered its forecasts for global oil demand for both this year and next; however, the difference in demand growth numbers between the IEA and OPEC continues to stand out.

On the supply side, the IEA estimates global supply to increase by 730k b/d in 2024 and 1.9m b/d in 2025 as OPEC+ supply gradually returns to the market. Non-OPEC+ production is seen increasing by 1.5m b/d for both this year and next.

Metals – LME zinc inventories rise

LME zinc inventories increased by 23,625 tonnes (the biggest daily addition since 22 November 2023) to 263,150 tonnes yesterday - the highest since 3 April 2024. The majority of the inflows were reported from warehouses in Singapore. On-warrant stocks reported gains after falling for four consecutive sessions, rising by 23,675 tonnes to 238,475 tonnes yesterday. Yesterday, the cash/3m spread moved to a deeper contango of \$51.3/t (vs \$48.4/t a day earlier), reflecting a comfortable prompt market.

In copper, recent statements from BHP suggest that the main union at the Escondida copper mine in Chile declined to resume talks following a new company invitation to reach an agreement. The company said it initiated the demobilization of striking workers and activated contingency plans. Meanwhile, the mine workers who are not part of the negotiation are able to continue working. The mine accounts for about 5% of the global copper mine supply, and the potential disruption will worsen the already tight supply conditions of the global copper concentrate market.

The latest LME COTR report shows that investors decreased their net bullish position for copper by 6,681 lots to 59,385 lots for the week ending 9 August 2024. This is the lowest net longs for copper since the week ending 26 January 2024, following a weak demand outlook. A similar move has been seen in aluminium, with speculators decreasing their net bullish bets by 1,960 lots for a sixth consecutive week to 96,543 lots over the last reporting week. This was the lowest level since the week ending on 22 September 2023. In contrast, money managers increased net bullish bets for zinc by 1,432 lots for the first time in four weeks to 18,735 lots as of last Friday.

Agriculture – CONAB raises soybean production estimates

Brazil's agriculture agency, CONAB, expects soybean production to rise to 147.4mt for the 2023/24 season, higher than the previous estimate of 147.3mt but below the average market expectations of 148.6mt. Soybean production was reported at 154.6mt in 2022/23. The estimated increase is driven by expectations that the harvest area could be higher at 46.03m hectares than its earlier projection of 46.02m hectares. In contrast, corn production estimates were revised down to 115.6mt for the abovementioned period compared to the previous estimates of 115.9mt. The estimates were also below the average market expectations of 117.1mt. In 2022/23, Brazil's corn output was at 131.9mt.

Sugarcane crushing in CS Brazil was weaker over the second half of July, with dry weather conditions in major regions reporting a decline of 10% YoY in July yields. Data released by UNICA shows that sugar cane crushing in Centre-South Brazil fell to 51.3mt for the second half of July,

down 3.4% from a year ago. The cumulative cane crushing rose 6.7% YoY for the 2024/25 season to reach 332.8mt. Meanwhile, sugar production dropped to 3.6mt (-2.2% YoY) over the fortnight, with around 50.3% of cane allocated for sugar production. Cumulatively, sugar production rose by 8% YoY to 20.8mt.

Meanwhile, Brazil's total coffee exports rose 26% YoY to 3.8m bags (60 kg) in July, according to data released by Cecafe Group. The group said that the Arabica coffee exports rose 13% YoY to 2.5m bags, while robusta coffee exports surged significantly to a second-largest record of 900.8k bags (slightly lower than the record of around 902k bags in November 2023) for the period mentioned above. The rise in coffee exports could be attributed mainly to the implementation of new anti-deforestation rules.

In its latest report, the European Commission revealed that the EU's soft wheat exports for the ongoing season stood at 3.1mt as of 11 August, down 22% compared to 4mt reported a year ago. The major destinations for these shipments were Morocco, Egypt, and Nigeria. The decline in exports was largely driven by France's crop harvest, which has been impacted by rain and storms. The commission added that the nation's corn imports stood at 2.4mt, up 19% compared to a year ago.

Authors

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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