

## The Commodities Feed: Oil rises on supply woes

Oil prices have surged this morning on rising geopolitical tensions and an intensifying hurricane in the Caribbean. Meanwhile, a recent survey showed OPEC oil production was largely unchanged last month



Clean up operations in Barbados in the aftermath of damage caused by Hurricane Beryl

### Energy – OPEC oil production steady in June

The oil market jumped to its highest level in over two months on rising geopolitical tensions in the Middle East along with an intensifying hurricane in the Caribbean. The Israel-Hamas conflict continues to escalate and increases the risk of oil supply disruptions. Recent reports also suggest that the record-breaking Hurricane Beryl is intensifying and raising the chances of flooding rains and storm surges which could hit oil operations in the Gulf of Mexico later this week. This has also raised concerns over a severe hurricane season that is yet to come. Meanwhile, the prompt time spreads for both ICE Brent and NYMEX WTI continue to trade in backwardation, suggesting concerns over tightness in the market in the short term.

Preliminary OPEC output numbers for June are now starting to be published. OPEC production declined by 80k b/d month-on-month to 26.98m b/d in June, according to a Bloomberg survey. The monthly production remained almost steady for a third month straight as some key members continued to produce oil above agreed limits. According to the survey, the numbers show that Iraq

and the UAE have yet to fully implement cutbacks as per the agreed production quota since the start of the year. It is reported that Iraq reduced output by 30k b/d to 4.25m b/d last month, however still remains about 250k b/d above the production quota. Saudi Arabia's production remained largely steady at 8.99m b/d, while it reduced oil exports by around 9% to 5.61m b/d in June. Lastly, Nigeria reported a production loss of 30k b/d to 1.43m b/d last month. Last month, OPEC+ members planned to gradually reverse production cuts and begin to revive output from the fourth quarter.

In natural gas, European natural gas prices continue to trade under pressure this morning after falling sharply yesterday. TTF prices were seen trading near EUR33/MWh in the early trading session today, down from the highs of EUR35/MWh seen a day earlier. Elevated inventories and steady supplies from Norway are currently weighing on prices. Storage in Europe continues to increase, standing at 77.4% full, largely in line with levels seen at the same stage last year and above the five-year average of 67.3%. However, forecasts for hotter weather – especially in the southeast region of Europe – raised hopes for increased power needs over the coming months that might support gas consumption in the near term.

## Metals – LME copper on-warrant stocks decline

LME data shows that on-warrant inventories for copper fell by 8,000 tonnes to 163,025 tonnes as of yesterday. This was the biggest intraday decline since 18 April 2024. The majority of the outflows were reported from warehouses in Gwangyang, South Korea. Meanwhile, cancelled warrants for copper rose by 7,925 tonnes to 17,025 tonnes yesterday, the highest since 7 May 2024. Total exchange inventories declined slightly by 75 tonnes after rising for 19 consecutive sessions to 180,050 tonnes as of yesterday.

Southern Copper is said to be restarting activities at the Tia Maria copper project in Peru. The mine is expected to have a production capacity of 120kt of copper and would be operational by 2027. The mine would help to ease the series of supply setbacks seen in Peru, including the closure of a major copper mine in Panama.

## Agriculture – USDA slashes corn and wheat crop condition ratings

The USDA's latest crop progress report shows that the USDA trimmed its crop condition ratings for US corn and wheat following dry weather conditions. The USDA rated 67% of the corn crop in good to excellent condition as of 30 June, lower than 69% a week ago but up from 51% seen at the same stage last year. Similarly, the agency rated 51% of the winter wheat crop as good to excellent, lower than 52% a week ago but higher than the 40% seen at the same stage last year. The USDA rated around 67% of the soybean crop in good to excellent condition, unchanged from a week ago, and up from 50% seen last year. As the harvest progresses, 54% of the winter wheat area has been harvested, up from 33% at the same stage last year and higher than the five-year average of 39%.

Cocoa prices have been volatile recently as weather conditions in the major producing countries in West Africa remain mixed in the current growing season. The weather has turned favourable in some of the countries, including Ghana and Nigeria, with a combination of rains and increasing sunshine which could help the plants to grow. In contrast, Ivory Coast witnessed some heavy showers that disrupted the mid-crop activities.

The USDA's weekly export inspection data for the week ending 27 June shows that the US grain exports slowed over the last week. Export inspections for corn stood at 819.6kt over the week, lower than 1,153kt in the previous week, but up from the 675.9kt reported a year ago. Similarly, US soybean export inspections stood at 303kt, down from 349.9kt a week ago but up from the 264.2kt reported a year ago. For wheat, US export inspections came in at 309.8kt, compared to 343.7kt from a week ago and 342.2kt reported a year ago.

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