

The Commodities Feed: Oil sell-off

Oil prices have sold off aggressively, dragged lower by the broader risk-off move and prospects of the return of Libyan supply. This recent weakness raises doubts about whether OPEC+ will increase supply in October as planned



Oil prices have sold off aggressively

Source: Shutterstock

Energy – Libyan supply

Oil prices sold off heavily yesterday and this pressure has continued in early morning trading today. ICE Brent settled almost 4.9% lower on the day, leaving it below US\$74/bbl. The sell-off was partly driven by a broader risk-off move with equities also coming under significant pressure.

The potential for a return of Libyan supply would have only added further pressure. The governor of the central bank in Libya has said that the western and eastern governments in the country are close to coming to a deal which should see oil production returning to normal levels.

The market is also bracing itself for the gradual return of OPEC+ supply from October, at a time when there is plenty of concern over demand weakness. The further pressure we see on prices the more likely that OPEC+ will be forced to scrap plans to bring supply back onto the market. However, with the balance looking soft through 2025, the question is when the group will eventually be able to bring supply back onto the market without putting significant pressure on

prices.

Preliminary OPEC production numbers for August are starting to come through. OPEC production fell by 70k b/d month-on-month to 27.06m b/d, according to a Bloomberg survey. Declines were led by Libya with output falling by 150k b/d MoM due to the recent country stoppages. However, a reduction in Libyan output was partly offset by increases from other producers, including Nigeria and Kuwait, who increased supply by 50k b/d and 20k b/d respectively.

European natural gas was unable to escape the weakness seen in markets. TTF settled 3.6% lower on the day. While supply risks continue to hang over the market, it appears that we have been seeing some speculative liquidation recently. While there are still concerns over Russian pipeline flows through Ukraine, this supply remains unaffected until now.

European storage also continues to tick higher and is now close to 93% full. However, the market will be focused on scheduled Norwegian maintenance which has seen daily flows to Europe fall from close to 350mcm/day in early August to below 200mcm/day currently. Any extension in planned maintenance would likely provide some support to prices.

Agriculture – Ukrainian wheat export target

Ukraine's Agriculture Ministry has resumed agreements with traders on wheat export targets. As per the agreement, both sides consent to an export target of 16.2mt of wheat for the 2024/25 season, down from around 18.3mt of wheat exported in the 2023/24 season. The Ukrainian wheat crop is expected to be smaller this year due to hotter weather over the summer.

Recent data from the European Commission shows that EU soft-wheat exports for the 2024/25 season stood at 4.4mt as of 3 September, down 23% YoY. The decline in exports was largely driven by France, where the crop has been impacted by excessive rains.

Weekly export inspection data from the USDA for the week ending 29 August showed strong export demand for US grains. Export inspections of corn stood at 965.3kt over the week, up from 917.6kt in the previous week and 482.8kt reported a year ago. Similarly, export inspections for wheat stood at 577.9kt, higher than the 549.5kt in the previous week and 318.1kt reported a year ago. Finally, soybean export inspections rose to 496.9kt, compared to 419.6kt in the previous week and 407.9kt for the same period last year.

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