

The Commodities Feed: Oil sells off as risk premium eases

Oil prices sold off heavily this morning following the latest comments from Israel that it will avoid targeting Iran's oil infrastructure. Meanwhile, lower crude oil imports from China and a downward revision in global demand growth estimates from OPEC have further weighed on sentiment



Energy - Brent falls below US\$75/bbl

ICE Brent extended its decline for a third straight session with prices falling sharply by almost 4% in the early trading session today as the risk premium has diminished. Israel has assured the US that it will not strike crude oil or nuclear facilities in Iran. This has removed a big overhang for the oil market in the immediate term.

Chinese trade data yesterday has not helped sentiment either. China's crude oil imports dropped 7.4% month-on-month (-0.6% year-on-year) to 11.1m b/d as refineries have struggled with weak margins. This leaves cumulative imports down 2.8% YoY this year. Meanwhile, data from Mysteel OilChem shows that weekly refining margins for state plants in China fell 44% YoY to CNY396/t at the end of September.

OPEC released its latest monthly oil market report yesterday where it lowered its demand growth forecast again for this year and 2025, primarily on expectations of softening demand from China. The group cut its oil demand growth forecast by 106k b/d to 1.9m b/d for 2024, and by 102k b/d to

1.6m b/d for 2025. On the supply side, the group left non-OPEC+ supply growth estimates unchanged at 1.2m b/d for 2024 and 1.1m b/d for 2025.

The report also showed that OPEC production decreased by 604k b/d month-on-month to 26.04m b/d in September. The decline was largely driven by Libya and Iraq, where output fell by 410k b/d and 155k b/d, respectively. Production was 170k b/d higher than the agreed quota, with members like Iraq, Gabon, UAE and Kuwait still exceeding their obligations. Overall, OPEC+ production decreased by 170k b/d to 35.5m b/d in September. The IEA will release its latest monthly oil market report later today.

Metals – Global steel demand could recover next year

The latest forecasts from the World Steel Association (WSA) show that global steel demand could fall by 0.9% YoY to 1,751mt in 2024. However, the association expects demand to recover by 1.2% YoY to reach 1,772mt in 2025 after declining for three consecutive years. The prime contributors to the rebound in steel demand next year are a stabilising real estate sector in China, interest rate adjustments and rising infrastructure spending across major global economies. However, overall Chinese steel demand could continue to disappoint and could see a decline of 3% YoY in 2024 and a further 1% YoY fall in 2025. In contrast, steel demand in India is expected to remain robust and is estimated to rise by 8% YoY in 2024 and 2025 as well. The WSA further added that steel demand in developed economies could fall by 2% YoY in 2024, while it is expected to recover by 1.9% YoY in 2025 amid a recovery in demand in the EU, US and Japan. As for developing economies (ex-China), steel demand is expected to rise by 3.5% YoY this year and 4.2% YoY next year.

Meanwhile, China released its preliminary trade data for metals yesterday, which shows total imports for unwrought copper rose 14% MoM to 478.6kt in September on improving seasonal demand and a better consumption outlook for the industrial metal. Although, the numbers remained quite close to 480kt imported in the same month last year. Cumulatively, imports rose 2.6% YoY to 4.1mt over the first nine months of the year. Meanwhile, imports of copper concentrate rose 8.7% YoY to 2.4mt last month, as strong domestic refined output continued to support import demand for raw material. On a year-to-date basis, copper concentrate imports totalled 21.06mt for the first nine months, up 3.7% YoY. In ferrous metals, iron ore monthly imports rose around 3% YoY to 104mt (highest since January) in September, as buying was encouraged by lower prices and hopes for improved demand during the peak construction season. China's cumulative iron ore imports rose 5% YoY to 918.9mt over the first three quarters of 2024.

On the exports side, China's unwrought aluminium and aluminium products shipments rose over 19% YoY to 561.6kt, while exports of steel products jumped 26% YoY to 10.2mt (highest since 2016) last month.

Freeport Indonesia has temporarily halted operations at its copper smelter in East Java following a fire at the facility yesterday. The copper smelter started operating officially on 24 September and has a smelting capacity of 1.7mt of copper concentrate, while it is expected to produce approximately 650kt of copper cathodes annually. The smelter could reach its full operational capacity by December 2024.

Agriculture – Cocoa stable on supply woes

Cocoa prices are stable as heavy rain in Ivory Coast could slow the new season harvest and the delivery of beans to ports. Prices have already surged to record highs this year following a massive

supply shortage last season. The supply concerns were initially expected to ease in the new season, which started on 1 October, however, the weather abnormalities could continue to pose threats to the forthcoming supply as well. Expectations of continuous rain showers in West Africa over the coming days have raised concern about pod diseases in Nigeria and Cameroon regions as well.

The latest data from China Customs shows that China's soybean imports jumped to near-record highs and rose 59% YoY to 11.37mt in September. This follows imports reaching record highs of 12.14mt in August, driven by lower global prices and potential US trade tensions. Meanwhile, cumulative soybean imports over the first nine months of the year stand at 81.9mt, up 8% YoY.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.