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.

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