# The Commodities Feed: Oil slides

Oil prices continue to come under pressure with demand concern intensifying. All attention later today will be on the FOMC rate decision

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## Energy - Oil sell-off continues

Sentiment in the oil market remains negative. ICE Brent settled more than 5% lower yesterday leaving it in the US$75/bbl region. This is the largest daily percentage decline since early January and the lowest level seen since March. There is little in the way of fresh fundamentals to justify the sell-off, though investors seem to be getting increasingly nervous about the macro outlook and its implications for oil demand. In recent weeks, we have already seen speculators reduce their net long in ICE Brent, while for ICE gasoil, speculators have flipped from a net long to a net short position. The key question now is where the floor is for the market. From a technical point of view, US$70/bbl, which was close to the low seen in March, should provide support to the market. In addition, it is around these levels that we could possibly see the US administration starting to refill its strategic petroleum reserves. And finally, breaking below US$70/bbl would be a concern for OPEC+, and so talk of additional cuts would likely grow if we trade down towards this level.

Bloomberg's OPEC production survey shows that the group's output fell by 310Mbbls/d MoM to 28.8MMbbls/d in April. The decline was largely driven by Iraq, where output is estimated to have fallen by 250Mbbls/d MoM. This was a result of the stoppage of oil flows from Northern Iraq via

Ceyhan in Turkey. In addition, Nigerian output is estimated to have fallen by 120Mbbls/d. Further production declines will be seen for May with a number of OPEC producers cutting output further from May through until the end of the year.

Inventory numbers from the API overnight showed that US crude oil inventories fell by 3.9MMbbls over the last week, which was more than the roughly 500Mbbls decline the market was expecting. On the product side, gasoline stocks grew by 400Mbbls, whilst distillate fuel oil stocks declined by 1MMbbls.

## Metals – Iron ore weakness

Iron ore prices continue to hover around the US$100/t mark after declining more than 17% MoM in April. Prices have come under pressure due to demand uncertainties and abundant seaborne supply, especially from Australia. China's weaker-than-expected peak construction season has also kept raw material prices under pressure. Last week, China Baowu Steel Group, the top global steelmaker, highlighted that the domestic as well as global environment for steel producers remained severe while expecting Chinese steel demand to remain weak for the year.

## Agriculture – Cocoa supplies & unfavourable weather

The latest reports suggest that the cocoa mid-crop harvest in Ivory Coast might be affected by heavy rains and flooding in the region. There are also reports that a poor number of pods on trees has already slowed the mid-crop harvest process. As a result, cocoa supplies from West Africa are expected to lag behind last season. Similarly, cocoa plantations in Cameroon are also affected by the heavy rainfall. Meanwhile, recent rains in Ghana are boosting the cocoa crop, but pest invasion and soaring input costs could cap harvest prospects for the season.

Weekly data from the European Commission show that soft wheat shipments from the EU reached 25.7mt as of 30 April, up 9.4% compared to 23.5mt for the same period last year. Morocco, Algeria, and Nigeria were the top destinations for these shipments

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