

The Commodities Feed: OPEC holds onto bullish demand numbers

Oil prices are trading stronger this morning after constructive US inventory numbers, while in the gas market, supply concerns have resurfaced after the suspension of operations at an LNG plant in Australia



Oil prices have sold off aggressively

Source: Shutterstock

Energy – OPEC maintains bullish demand numbers

Oil prices continued to edge higher yesterday and this trend is likely to continue in early morning trading today after API numbers overnight showed that US crude oil inventories fell by 2.4m barrels last week while crude stocks in Cushing declined by 1.9m barrels. On the product side, gasoline inventories fell by 2.5m barrels and distillate stocks increased by 1m barrels. Overall, the numbers were constructive.

OPEC released its latest monthly oil market report yesterday and the group maintained its bullish demand growth forecasts for both this year and next. OPEC expects global oil demand to grow by 2.25m b/d in 2024 and by a further 1.85m b/d in 2025. These numbers are quite a bit stronger than the EIA and IEA are forecasting. OPEC also left its non-OPEC+ supply growth forecasts unchanged

for 2024 and 2025 at 1.23m b/d and 1.1m b/d respectively. The report also showed that OPEC production increased by 29k b/d MoM to 26.63m b/d in May, while total OPEC+ output fell by 123k b/d MoM to 40.92m b/d. This decline was driven by Russia and Kazakhstan, where output fell by 119k b/d and 62k b/d respectively. The IEA will release its latest monthly oil market report today.

In its latest Short-Term Energy Outlook, the EIA revised higher its US crude oil supply growth estimates for 2024. US oil supply is forecast to grow by 310k b/d YoY to 13.24m b/d this year, up from a previous forecast of 13.2m b/d. While for 2025, output growth forecasts were lowered from 520k b/d to 470k b/d.

Supply concerns have resurfaced in global gas markets after the Wheatstone LNG facility in Australia suspended operations to complete repairs to its offshore platform. The Wheatstone LNG plant consists of two trains with a combined capacity of 8.9 mtpa. It is still unclear how long the outage will last. The news saw gas prices swinging through the trading day yesterday, however, TTF settled only marginally higher. A prolonged outage will provide some support to prices, particularly with the stronger demand we are seeing from Asia at the moment. LSEG data shows that Asian LNG imports grew 10% YoY in the first five months of the year.

Metals - Russian share of aluminium on the LME falls

Russian metal accounted for less than half of the aluminium stored in LME warehouses in May. This is down from nearly 90% a month earlier, the latest data from the LME showed. However, the volume of Russian aluminium in LME warehouses rose to 246,950 tonnes, up from 116,325 tonnes. While the volume of Russian material in LME warehouses rose, the proportion fell, following a large inflow of Indian-origin metal. Volumes of Indian metal rose to 293,325 tonnes, up from 12,275 tonnes.

The latest LME COTR report released yesterday showed that investors decreased their net bullish position for aluminium by 3,670 lots to 133,439 lots as of last Friday. Similarly, money managers decreased their net long in copper by 7,113 lots

Agriculture - WASDE day

The USDA is scheduled to release its monthly WASDE report later today. The market expects the agency to increase its US soybean ending stocks for the 2024/25 season by 12m bushels to 457m bushels while trimming its corn ending stock estimates by 15m bushels to 2,087m bushels. Turning to global supply, the agency is expected to revise its Brazil corn and soybean output estimates to 121.1mt (-0.9mt) and 152mt (+3mt) respectively. Argentina's corn and soybean production estimates are expected to be trimmed to 51.2mt (-1.8mt) and 49.9mt (-0.1mt) respectively. As a result, it is expected that global ending stocks for corn will decline from a previous forecast of 312.3mt to 311.1mt, while expectations are for soybean ending stocks to fall from 128.5mt to 127.8mt.

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