The Commodities Feed: Precious metals continue to rally

The rally in precious metals continues on hopes for another potentially large interest rate cut in the US. Oil, though, is lower

Energy – Oil trades under pressure

Oil prices continued to trade lower in early trading as market participants focused on the increased supply outlook from the OPEC+ group. NYMEX WTI fell almost 3% to settle below US$68/bbl, while ICE Brent held just above US$71/bbl yesterday. Earlier this month, the International Energy Agency (IEA) also warned that the global oil markets could be oversupplied next year with or without extra OPEC+ supplies.

Data from Mysteel OilChem shows that Chinese state and independent oil refiners boosted run rates to 77.7% of capacity for the week ending 26 September, the highest since the end of May 2024. Meanwhile, the independent refiners in Shandong increased run rates to 53.5% of capacity in the week ending on 27 September, the highest since the end of May 2024.

Meanwhile, the latest refined products inventory data from Insights Global indicate that Gasoil stocks in the ARA region decreased by 119kt WoW to 2.45mt for the week ending on 26 September. Similarly, Gasoline inventories in the region fell by 55kt over the week to 934kt. In contrast, fuel oil inventories increased by 134kt to 1.37m barrels over the reporting week. In Singapore, total oil product stocks fell by 3.07m barrels WoW to 3.98m barrels over the week ending 25 September, the lowest since 10 July. The decline was led by middle distillate stocks falling by 432k barrels over the week to 9.8m barrels for the above-mentioned period.

US natural gas edged lower and fell by more than 1% this morning despite a bullish storage report, as Hurricane Helene is expected to have a greater impact on demand (due to disruptions to LNG exports) than supply. EIA weekly data shows that US gas storage increased by 47Bcf last week, less than the 52Bcf increase the market was expecting and well below the 5-year average increase of 88Bcf. Total gas stockpiles totalled 3.49Tcf as of 20 September, 7.1% above the 5-year average.

Metals - Copper rallies back above $10,000/t on China stimulus boost

Copper rallied back above $10,000/t to a three-month high after Beijing called for more measures to support its property sector, crucial for metals demand, and vowed to reach the country's annual economic goals. Meanwhile, iron ore broke above $100/t.

On Thursday, the official Xinhua News Agency reported that China's Politburo will push for the real estate market "to stop declining" and called for "forceful" rate cuts. This followed a raft of stimulus measures earlier in the week to boost its flagging economy.

China has been a drag on metals' demand for over two years. A broad economic slowdown and, in particular, the crisis in the property sector has seen copper and other industrial metals prices slump.

We have seen plenty of property support measures this year, but they have so far been insufficient to have a meaningful impact on industrial metals demand.

Our China economist believes that for the property market to recover, two things need to happen. First, we need to see prices at least stabilise. Second, we need to see excess housing inventories come down toward historical norms. Until then, the drag on growth will continue.
https://think.ing.com/snaps/pboc-unveiled-a-monetary-policy-easing-package-in-bid-to-support-growth/

We believe the continued weakness in the sector remains the main downside risk to our outlook for industrial metals. We believe that until the market sees signs of a sustainable recovery and economic growth in China, we will struggle to see a long-term move higher for industrial metals.

Spot gold prices reached fresh record highs, while silver prices jumped to the highest since 2012 on optimism over further interest rate cuts in the US. Gold prices are nearly up 30%, while silver prices gained almost 35% since the start of the year. The upward rally in silver prices is also supported by the possibility of increased industrial use along with the surging demand from the renewable energy sector. Several policymakers in the US Federal Reserve have shown their support for making additional (potentially large) interest-rate cuts, boosting the upward rally in the precious metals further.

Recent LME data shows that total inventories for nickel increased by 5,676 tonnes – the biggest intra-day addition since 14 April 2021- to 130,080 tonnes yesterday, the highest since 12 November 2021. The majority of the inflows were reported from warehouses in Rotterdam. On-warrant inventories for nickel rose by 5,556 tonnes for a second consecutive session to 121,362 tonnes, while cancelled warrants increased slightly by 120 tonnes to 8,718 tonnes as of yesterday.

Agriculture – ISMA keeps production estimates unchanged

Recent estimates from the Indian Sugar Mills Association (ISMA) show that gross sugar production in India remained unchanged from its previous forecasts of 33.3mt for the 2024/25 season, as rainfall in the current season boosted the plant growth. Sugar allocation for ethanol production is expected to be around 4-4.5mt for the period mentioned above. The association also requested the government to allow 2mt of sugar exports for the upcoming season on account of plenty of supply in the domestic market. Meanwhile, ending stock estimates were revised down to 8.4mt for 2024/25 compared to the previous estimates of 9.1mt, while sugar consumption is expected to average around 29mt.

Cocoa futures trading in New York extended the upward rally for a fourth consecutive session, with prices gaining over 10% DoD at one point in time (the biggest intraday jump since 7 May 2024) yesterday, as US exchange inventories dropped to the lowest since 2009. However, prices gave up some of the gains at the close. The warehouse inventories for cocoa in the US have been declining constantly since 11 September and fell by 18k bags (145lb) to 2.14m bags (145lb) as of 26 September 2024, the lowest since 12 January 2009. As the West African main crop harvest is scheduled to start in October, the market expects a small surplus in the upcoming season.

USDA released its weekly grains' export sales report which shows that US grain sales remained weak for the week ending 19 September. Weekly export sales of corn were down to 535.1kt for the week, lower than the 847.4kt a week ago and 857kt for the same period last year. This was also lower than the average market expectations of 938kt. Similarly, wheat shipments fell to 168.9kt, lower than the 257.8kt reported in the previous week and 544.5kt reported a year ago. The market was expecting a number closer to 375kt.

US soybean shipments stood at 1,574.7kt, lower than the 1,756.5kt reported a week ago but higher than the 672.2kt reported a year ago and the average market expectations of 1,438kt.

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