The Commodities Feed: Pressure on the complex

The commodities complex has been unable to escape the broader sell-off in risk assets

Energy - Libya supply disruption

Oil prices moved lower yesterday. ICE Brent traded to an intraday low of US$75.05/bbl, although it recovered from these lows, settling just 0.66% lower on the day. The market has continued to see a recovery in early morning trading today. Oil has been unable to escape the broader risk-off move seen across assets, as concerns grow over the potential for a US recession following some weaker macro data in recent weeks. This only adds to worries over Chinese demand. Investors have been exiting commodities in recent weeks, highlighted in positioning data and this has continued in recent days. ICE data shows that aggregated open interest in ICE Brent has fallen by more than 8% since mid-June. This souring in speculative appetite comes despite oil fundamentals still looking supportive.

Offsetting some of the macro bearishness were reports that the Sharara oilfield in Libya has fully halted production with reports of protests at the site. The oilfield has a production capacity of 300k b/d, although before the disruption it was producing around 270k b/d. In addition, markets are still waiting to see how Iran responds to Israel after it vowed retaliation for the assassination of Hamas' political leader on Iranian soil.

In the US, the Biden administration filed an appeal after a federal judge reversed the White House's temporary ban on new licences for US LNG exports in early July. At the start of the year, the Biden administration temporarily halted approvals for new LNG export projects to assess the impact on climate change, the economy and national security.

Metals - Slump amid global stock sell-off

LME copper settled 1.84% lower yesterday and hit its lowest level since March amid a broader sell-off in global equity markets, driven by growing concerns over the risk of recession in the US. For the metals complex, this has added to demand concerns from China and rising global inventories.

In precious metals, silver declined more than 4.5%, while gold, usually a safe haven during such uncertainty, fell more than 1.3% amid likely liquidation to cover margin calls on other assets. However, looking ahead, we believe gold should regain its footing once again, amid the ongoing geopolitical uncertainties and expectations of interest rate cuts from the US Fed.

Agriculture – Good US crop progress

The latest data from the International Coffee Organization (ICO) shows that global coffee exports stood at 10.8m bags in June, up 3.8% YoY. This includes Arabica exports of 7.1m bags (+14.4% YoY) and Robusta exports of 3.7m bags (-11.8% YoY). This leaves shipments between October 2023 to June 2024 at 103.5m bags, up 10.1% YoY.

The latest crop progress report from the USDA shows that the US corn crop is in relatively good condition with 67% of the crop rated good-to-excellent, up from 57% at the same stage last year. Similarly, 68% of the soybean crop is rated good to excellent, compared to 54% at the same stage last year. Finally, 88% of the winter wheat crop is harvested, above the 85% harvested at the same stage last year and also above the 5-year average of 86%.

Weekly export inspection data from the USDA for the week ending 1 August shows that US corn shipments rose while wheat and soybean exports slowed over the last week. US weekly inspections of wheat for export stood at 440.9kt, down from 453.9kt in the previous week but up from the 318.6kt reported a year ago. Similarly, export inspections for soybeans stood at 261.2kt over the week, lower than 408.6kt in the previous week and 290.7kt reported a year ago. Meanwhile, US corn export inspections rose to 1,213.4kt, compared to 1,070.3kt a week ago and 388kt a year ago.

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