

The Commodities Feed: Pressure remains on oil

Brent broke below \$80/bbl for the first time since early June as demand concerns linger



Oil prices have sold off aggressively

Source: Shutterstock

Energy – Brent tumbles below \$80/bbl

Oil prices have come under further pressure as bearish sentiment has hit not just oil but large parts of the commodity complex, leading to a large amount of speculative selling. ICE Brent settled 1.66% lower yesterday, leaving the market below \$80/bbl for the first time since early June. Weak Chinese demand remains the driver for the oil market, following a raft of fairly bearish data in recent weeks. China is important for the global oil balance, as it is expected to make up more than 50% of global oil demand growth in 2024, so slower-than-expected growth can dramatically change the balance.

The market will also be closely watching any developments in Venezuela following elections over the weekend. The current president, Nicolas Maduro has claimed victory in the election, although there are doubts over the result with opinion polls in the lead-up to the election showing a strong victory for the opposition. The US has said potential further sanctions will depend on whether the government releases voting data. While the US eased oil sanctions against Venezuela last year,

these were reimposed earlier this year after the US felt the government did not live up to its side of a deal for fairer elections.

The US Department of Energy (DoE) agreed to buy 4.65m barrels of crude oil for its Strategic Petroleum Reserve (SPR) for delivery between October and December 2024. In an effort to refill the SPR, the DoE has said that it has bought a total of 43.25m barrels at an average price of around US\$77/bbl, lower than the \$95 average at which oil was sold in 2022 during the emergency releases.

Natural gas prices rallied further yesterday. TTF front-month futures settled 4.3% higher on forecasts for hotter weather in Asia. Spot Asian LNG prices remain at a healthy premium to European gas prices, which leaves Asia a more attractive destination for spot cargoes. Lower flows to the EU are reflected in LNG send-out data, which has dropped to its lowest level since late 2021, according to GIE.

Metals – China's gold demand falls amid record prices

China's gold demand fell almost 6% from a year earlier in the first half of the year to 524 tonnes amid record high prices for the precious metal, the China Gold Council said in its latest report. Jewellery purchases fell 27% in H1 with China's sluggish economy weighing on luxury item purchases, however, this was partly offset by increased sales of bars and coins, which jumped by 46% from a year earlier. The figures in the report include jewellery, bars, coins and industrial consumption but not central bank purchases. The People's Bank of China halted gold purchases in May and June, following an 18-month buying streak that had driven gold prices to record highs. High gold prices have likely deterred further purchases for now. However, we still expect central bank demand to remain strong amid the current economic climate and geopolitical tensions. We also believe that prices will be supported by safe-haven demand amid geopolitical risks, the US presidential election in November and the long-awaited US Fed rate cut.

Recent reports suggest that the union at BHP's Escondida copper mine in Chile has urged its members to reject a final contract offer from the company. This has raised concerns about a potential strike. The workers will vote from Monday to Thursday. However, the company said that the management is much better prepared for a strike than before.

Agriculture – Vietnam coffee shipments fall

The General Statistics Office of Vietnam released trade volume estimates for July which show that coffee exports totalled 70kt, down 35.7% YoY. Cumulative coffee exports have dropped by 13.8% YoY to 964kt over the first seven months of the year. Poor weather conditions are largely behind these lower volumes.

The USDA's weekly export inspection data for the week ending 25 July shows strong demand for US grains. Export inspections of corn stood at 1,058.9kt over the week, higher than the 991.3kt in the previous week and 538.2kt reported a year ago. Similarly, US wheat export inspections stood at 431.2kt, up from 262.6kt a week ago, but lower than 585.3kt from a year ago. For soybeans, US export inspections stood at 403.3kt, compared to 338.3kt a week ago and 334.4kt for the same period last year.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.