The Commodities Feed: Relative calm in the Middle East

As expected, Israel and Hezbollah announced a 60-day ceasefire agreement and plans to discuss a longer-lasting peace agreement. The oil market is assessing the new dynamics and how it impacts the other ongoing conflicts in the region

A ceasefire agreement between Israel and Hezbollah was confirmed on 26 November

Energy – Israel and Hezbollah announce ceasefire

ICE Brent has been trading flat after a sharp fall on Monday as the market assesses the Middle East's new dynamics. Israel and Hezbollah have announced a 60-day ceasefire agreement, effective immediately. This time window could be used to discuss a longer-lasting peace agreement. The focus now shifts to the implementation of the current agreement and how it affects ongoing fighting in the Gaza Strip or the Israel-Iran conflict.

Weekly data from the American Petroleum Institute (API) shows that crude oil inventory in the US dropped by 5.9m barrels over the last week compared to market expectations of a marginal draw. For refined products, distillate and gasoline stocks increased by 2.5m barrels and 1.8m barrels respectively. The more widely followed EIA report will be released today.

OPEC+ is scheduled to meet this weekend and expectations are that the group could further delay its plans to increase production by 180k bbls/d in January. In the last meeting, the group had postponed its supply increment plans from December to January. Crude oil prices continue to face stiff resistance around US$75/bbl due to demand concerns. Any premature production hike from the group could push the market into deeper oversupply.

Metals – LME zinc cancelled warrants increase

Latest LME data shows that cancelled warrants for zinc rose by 47,800 tonnes (the biggest daily addition since 27 August 2015) to 57,350 tonnes as of yesterday, the highest since 21 March 2024. The majority of the cancellations were reported in Singapore warehouses. Cancelled warrants now account for around 22% of LME zinc stocks and hints of a continued withdrawal of warehouse stocks over the coming weeks. LME zinc stocks have already dropped by around 12.7kt since last Wednesday.

In its latest update, the World Platinum Investment Council (WPIC) forecasts the global platinum market deficit to narrow to 682koz in 2024 following an improved supply outlook and lower industrial demand. This compares to a previous estimate of a supply deficit of 1.03moz for the current year. Meanwhile, the market could face a third consecutive deficit of 539koz in 2025, amid lower supply and increased automotive demand (to the highest level since 2017). The global platinum market saw a supply deficit of 759koz in 2023. WPIC estimates that platinum consumption could rise by 0.4% YoY to 7.95moz in 2024, while global supply could increase by 1.5% YoY to 7.27moz. For 2025, the council estimates demand to drop by around 1.1% YoY mainly due to lower demand from the glass industry. On the other hand, supply could increase by around 0.8% YoY due to higher recycling.

The latest LME COTR report released yesterday shows that speculators decreased bullish bets in copper, aluminium and zinc last week. Speculators reduced net long positions in copper by 506 lots to 57,892 lots for the week ending 22 November. This is the lowest since the week ending 19 January 2024. Similarly, net bullish bets for aluminium fell by 4,960 lots for a fourth consecutive week to 116,499 lots at the end of last week, the lowest since the week ending on 11 October 2024. Meanwhile, money managers decreased net bullish bets for zinc by 769 lots for a fourth straight week to 26,303 lots (the lowest since the week ending 6 September 2024) as of last Friday.

Agriculture – European wheat exports remain soft

Weekly data from the European Commission shows that EU soft-wheat exports for the 2024/25 season dropped to 9.2mt as of 24 November, down 30% YoY. Rising competition from Russia and a poor harvest in France have weighed on export volumes. Meanwhile, EU corn imports increased by 7% YoY to 7.9mt mainly due to weaker domestic supply this season.

Thailand's Cane and Sugar Board reports that the country could start the sugar crush season on 6 Dec this year. Heavy rainfall this year had increased the risks of a delay to the crushing season; however, the impact on the crop/plants is not as severe as feared. The Board estimates that sugar cane crushing could increase by around 13% YoY to 93.2mt in 2024/25 with sugar production to increase around 18% YoY to 10.4mt.

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