

## The Commodities Feed: Risk-off sentiment weighs on the complex

The overall risk-off sentiment has weighed on the commodity complex with both energy and metals facing the pressure. US crude oil inventory dropped by a record 17MMbbls last week, reflecting a tight physical market



Rising US treasury yields along with a stronger dollar further soured sentiment in the complex

### Energy – US weekly oil inventories report record declines

The oil market came under pressure yesterday and traded weak this morning as rising US Treasury yields and strength in the USD index overshadowed a record drop in the US crude oil inventories.

The weekly petroleum status report from the Energy Information Administration (EIA) was constructive for the oil market and shows that US commercial crude oil inventories dropped by a record 17MMbbls over the last week to 439.8MMbbls, the lowest since January and around 1% below the five-year average for this time of the year. The market was anticipating a drawdown of just 0.8MMbbls while the American Petroleum Institute (API) reported a withdrawal of 15.4MMbbls the day before.

Meanwhile, oil inventories at Cushing, Oklahoma, fell by 1.3MMbbls for a fifth consecutive week to 34.5MMbbls, the lowest since the first week of May. The inventory withdrawal mainly comes amid a backdrop of a jump in exports which increased to around 5.3MMbbls/d last week compared to 4.6MMbbls/d in the preceding week. The majority of the demand came from Asian refiners as they boosted the purchase of US oil following the output cuts by OPEC+ members.

As for refined product inventories, gasoline inventories rose by 1.5MMbbls, against a forecast for a decline of 1.3MMbbls, while distillate stockpiles fell by 0.8MMbbls last week, higher than expectations of a decline of 0.3MMbbls. Meanwhile, refineries operated at 93.5% of their capacity, up from 93.1% in the previous week and 92.9% for the same period last year. Domestic crude oil production remained largely unchanged at 12.2MMbbls/d last week.

## Metals – Risk-off sentiment weighs on the complex

The overall risk-off sentiment across the financial markets weighed on the industrial metals yesterday. Rising US treasury yields along with a stronger dollar further soured the sentiments in the complex. LME copper extended the declines for a third straight session yesterday, while nickel led the decline amongst the base metals.

Recent data from the Chilean copper commission Cochilco show that Codelco's total copper production stood at 120.3kt in June, the highest since the start of the year. However, cumulative output fell by 12.7% year-on-year to 642kt over the first half of the year, primarily due to delays in structural projects. Codelco also trimmed its annual production guidance to the lowest in 25 years. However, BHP's Escondida copper mine reported gains of 8.7% YoY (32.8% month-on-month) to 111.4kt (the biggest monthly output in at least 3.5 years) last month, while year-to-date production rose by 5.5% YoY to 558.8kt in the first half of the year.

Meanwhile, officials from the China Iron and Steel Association (CISA) are proposing the cancellation of night-time trading of futures for metals, which includes iron ore and steel futures. The recommendation came primarily to ease the volatility and to facilitate stable prices and trading for major metals.

## Agriculture – Indian sugar output to decline

The latest estimates from the Indian Sugar Mills Association (ISMA) show that sugar production in the nation could fall by 3.4% YoY to 31.7mt in the 2023/24 season (starting 1 October), roughly in line with the market expectations. It is expected that mills would divert 4.5mt of sugar to make ethanol in 2023/24, up from 4.1mt a year earlier. y

Meanwhile, the association estimates domestic consumption to be around 27.5mt, leaving a surplus of 4.2mt in 2023/24. The area under sugar cane is estimated to be around 5.98m hectares next season, similar to the level seen a year earlier.

### Author

#### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.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](http://www.ing.com).