The Commodities Feed: Sentiment improves

The dovish comments from the Federal Reserve helped to improve sentiment yesterday, with gold prices recovering back to around US$2,030/Oz. Crude oil prices also gained on OPEC and EIA reports, although demand concerns continue to linger

Energy – OPEC expects a tighter oil market

- The oil market recovered moderately yesterday as positive sentiment in the broader financial market pushed up oil prices as well. The monthly report from OPEC was constructive, with estimates of a huge deficit for the current quarter and next quarter. However, the market remains cautious as economic concerns continue to cloud demand prospects.
- In its latest Monthly Oil Market Report, OPEC estimated a tighter crude oil market for the fourth quarter of this year and 2024 as supply falls short of market demand if announced OPEC+ cuts are maintained. The OPEC revised down its non-OPEC crude oil production estimates by around 190Mbbls/d for the fourth quarter on lower output in the US and Asia. The requirement for OPEC crude is estimated at around 31.1MMbbls/d for the fourth quarter compared to around 27.9MMbbls/d of production in the quarter so far. For 2024, the

organisation expects the requirement for OPEC crude to increase by around 0.8MMbbls/d to 29.9MMbbls/d.

- Meanwhile, OPEC also reported that crude oil production by member countries dropped marginally by 57Mbbls/d in November to 27.8MMbbls/d. Iraq and Angola reported major production losses of 77Mbbls/d and 37Mbbls/d respectively whilst Venezuela, Libya and Kuwait increased supplies at a moderate pace. OPEC production has largely been flat at around 27.8-27.9MMbbls/d for the last three months.
- The weekly report from the EIA has also been positive for the oil market yesterday, with crude oil inventory in the US falling by 4.3MMbbls over the last week against market expectations of around 1.5MMbbls of inventory withdrawal. Crude oil input to refineries increased by 0.2MMbbls/d to around 16MMbbs/d that have helped to increase demand for crude oil. Exports of crude oil remain constrained, largely due to congestion in the Panama Canal, with net imports increasing by 0.3MMbbls/d to 2.2MMbbls/d. Among refined products, gasoline inventory increased by 0.4MMbbls to 224MMbbls while distillate inventory also increased by 1.5MMbbls to 113.5MMbbls.

Metals – Dovish comments from the Fed push gold higher

- Gold prices got a boost yesterday following dovish comments from the US Fed. While the central bank kept its policy rates unchanged at the last meeting of the current year, it recognised that the inflation pressure is easing. The Fed now projects three rate cuts in 2024 (total 75bp) compared to its September projections of two rate cuts for next year which buoyed sentiment for broader financial markets. ING's economics team believes that the economic conditions could push the Fed to be more aggressive in rate cuts than their current projections with expectations of around 150bps cuts in 2024. Lower rates are likely to continue supporting gold.
- The Western Australia government has conditionally approved mining plans of Alcoa for its mining activities in the region. The approvals allow Alcoa to continue mining activity even if the Environment Protection Agency determines that an assessment is required. The continuation of mining activity removes some supply-side risk for aluminium.

Agriculture – Argentina peso devaluation weighs on grains

- Wheat, soybean and corn traded soft yesterday after Argentina devalued its currency against USD by more than 50%. A lower exchange rate could bring more of Argentina's supplies (especially inventory) into the market as prices in local currency increase. Meanwhile, the Rosario Board of Trade increased wheat production estimates in the country by around 1mt to 14.5mt for the 2023/24 season on account of favourable weather (rains and cooler temperatures). The Board kept soybean and corn production estimates unchanged for now at 50mt and 56mt respectively.
- The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2023/24 season stood at 14.7mt as of 13 December, a decline of 27% year-on-year. Total corn shipments stood at 7.3mt, down 32.7% YoY, while wheat exports fell 15% YoY to 6.3mt. Recent developments in Russia were reported to have damaged grain storage facilities and warehouses at the Odesa ports, which continue to impact the shipments through the Black Sea Port route.

Author

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Warren Patterson
Head of Commodities Strategy
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.

 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.