

The Commodities Feed: Stronger USD prompts oil sell-off

Crude oil extended its fall in the early trading session today as broader market concerns have weighed on the complex, while a stronger dollar has also added further pressure. Meanwhile, the above-normal inventory draw keeps pushing US natural gas higher



Energy – WTI settles below \$70/bbl

Crude oil prices edged lower with NYMEX WTI closing below \$70/bbl while ICE Brent settled below \$73/bbl yesterday. The oil market witnessed a second straight session of decline as the strengthening dollar weighs on the complex.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by just 16kt over the week to 6.3mt. The additions in gasoil and gasoline stocks were balanced by the declines reported in other oil products stocks. Gasoil stocks in the ARA region increased by 57kt week-on-week to 2.2mt for the week ending 19 December. Similarly, gasoline inventories rose by 12kt to 1.4mt over the reporting week.

In Singapore, Enterprise Singapore data shows that total oil product stocks increased by 9.7m barrels for a seventh straight week to 54.4m barrels as of 18 December, the highest since August

2020. Residue stocks increased by 11.05m barrels whilst light and middle distillate stocks decreased by 556k barrels and 813k barrels, respectively. It is reported that inventories of heavy fuels rose by the most ever in a week, with levels at the highest since June 2016.

Meanwhile, US natural gas prices moved higher for a fourth consecutive session as weekly inventory numbers reported outflows, whilst expectations of a cold start to January raised hopes for increased consumption of the heating fuel. The weekly data shows that US gas storage decreased by 125Bcf last week, slightly lower than the 127Bcf increase the market was expecting. However, this was well above the five-year average decline of 92Bcf. Total gas stockpiles totalled 3.62Tcf as of 13 December, which is just 0.6% above last year and 3.8% above the five-year average.

Metals – Indonesia mulls mining cuts

Indonesia is considering implementing deep cuts to the nickel mining quota primarily to support the falling prices of the battery metal. The Energy and Mineral Resources Ministry is said to be planning to restrict the amount of nickel ore allowed to be mined to 150mt in 2025, sharply down from 272mt this year. However, the discussions about the size of the potential reduction are still ongoing with the government. Rising supply from Indonesia and slower-than-expected demand growth have been weighing on nickel prices. However, the announcement failed to offer any immediate support to LME nickel with prices falling to their lowest since November 2020 yesterday, as market participants continue to focus on the broader weakness in risk assets.

In zinc, market reports suggest that Toho Zinc Co. located in Japan will shut down its unprofitable zinc smelting business by the year-end, as ore-processing fees continue to hover near multi-year lows. The Japanese company is also withdrawing from mining investments following a “significant loss” in the mineral resources division.

Agriculture – EU lowers corn and wheat output estimates

In its latest cereals market situation report, the European Commission estimated that the bloc's grain production could fall to 255.8mt for the 2024/25 season, compared to its previous projections of 256.9mt. This is largely driven by a decrease in soft wheat production estimates, which fell from 112.3mt from November projections to 111.9mt for the period mentioned above. This is due to a reduction in the harvest area to 20.2m hectares from 20.3m hectares. Similarly, corn production estimates were revised down slightly to 59.5mt from its previous projections of 59.6mt.

Meanwhile, in its weekly report, the Buenos Aires Grain Exchange raised Argentina's corn planting estimates to 65.8% complete for the 2024/25 season, up from 55.6% estimated earlier. Sufficient rain has been helpful for the planting season so far. Meanwhile, the exchange reported that the corn planting area remained unchanged at 6.3m ha for the above-mentioned period. Similarly, soybean planting estimates were raised to 76.6% for the 2024/25 season from its previous estimates of 64.7%. The exchange further added that the forecast for more showers could continue to improve the country's wheat crop condition as well.

US weekly net export sales for the week ending 12 December show strong demand for US grains over the week. US corn shipments surged to 1,177kt, higher than the 946.9kt a week ago and 1,014kt for the same period last year. This was also higher than the average market expectations of 1,013kt. Similarly, wheat shipments rose to 458kt, higher than the 290.2kt reported in the previous week and 326kt a year ago. The market was expecting a number closer to 329kt.

Meanwhile, soybean shipments stood at 1,424.2kt, higher than the 1,173.8kt reported a week ago but lower than the 2,133.4kt reported a year ago. The average market expectations stood at 1,256kt.

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