The Commodities Feed: Stronger USD weighs on the complex

Crude oil has retreated this week as a stronger US dollar and profit booking at higher prices weighed on sentiment. The natural gas withdrawal season comes to an early end this year with inventory still around 41% above the five-year average

Energy: Oil gives up some of the gains

Oil prices softened in the early trading session today. ICE Brent declined for a third consecutive session with prices falling back to US$85/bbl, as a stronger dollar and profit booking at higher prices weighed on prices. According to media reports, the US has urged Ukraine to halt attacks on Russian energy infrastructure to avoid potential retaliation and to keep the energy market stable. Meanwhile, Houthis have also been reported to assure China and Russia that their ships can sail through the Red Sea without risk of an attack.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 45kt over the last week to 6.05mt. Naphtha inventory increased by 97kt over the reporting week followed by marginal gains in gasoline and fuel oil stocks at 8kt and 6kt, respectively. Gasoil inventory dropped by 60kt over the week, offsetting some of the inventory builds in other products.

Meanwhile, data from Singapore showed that total refined products inventory fell by 0.5MMbbls (-1% week-on-week) to 47.5MMbbls over the week ending on 20 March 2024. The decline was led by middle-distillate and light-distillate with inventories falling by 0.4MMbbls (-4% WoW) and 0.8MMbbls (-5% WoW), respectively, over the reporting week. Residual fuel inventory rose by 0.7MMbbls (+3.2% WoW) to 22MMbbls for the period mentioned above.

For natural gas, the EIA reported an inventory injection of 7Bcf for the last week, higher than the market expectations of around 5.4Bcf of injection and a five-year average withdrawal of around 42Bcf for the week. Last week's inventory build probably marks an early end of the withdrawal season this year as warmer weather keeps demand low. The US recorded just 121 Heating Degree Days (HDDs) last week compared to the seasonal average of 157. Natural gas inventories are 41% higher than the five-year average for this time of the year pointing to lower demand for restocking this summer. The latest weather forecast remains mixed, suggesting colder-than-average temperatures in the western region while the East could remain slightly warm for the next week in the US.

Metals: Zinc rallies on mine closure

LME zinc prices rose to intra-day highs of $2,571.5/t (+2.5% DoD) yesterday on mine closure reports from Australia. Glencore has temporarily halted operations at its McArthur River mine (one of the world's biggest zinc and lead mines) in northern Australia due to a cyclone. It is reported that the mining site experienced heavy rainfall this week, exceeding the previous record set in 1974. The mine produced 262.2kt of zinc concentrate and 50.4kt of lead concentrate in 2023.

Meanwhile, the latest data from the International Lead and Zinc Study Group (ILZSG) shows that the global zinc market had a surplus of 59kt in January 2024, while the global lead market also saw a surplus of 9kt for the month. Global zinc production increased by around 4.1% YoY to 1.14mt while demand rose by 3.8% YoY to 1.08mt in the first month of the year. Similarly, global lead supply increased by around 2.8% YoY to 1.05mt, while consumption softened marginally to 1.04mt in January.

Agriculture: Argentina slashes corn output estimates

In its weekly report, the Buenos Aires Grain Exchange lowered Argentina's corn production forecast to 54mt for the 2023/24 season, down from 56.5mt estimated earlier. The decline in the production estimates is largely due to continuing heat waves impacting the corn plants in the country. Meanwhile, the exchange reported that corn harvest progress stands at 3.7% completed so far this season.

The USDA's weekly net export sales for the week ending 14 March showed demand for US soybeans and wheat remains higher, while corn exports fell over the previous week. Weekly export sales for soybeans rose to 494.3kt for the week, higher than the 470.3kt a week ago and 351.5kt for the same period last year. This was also higher than the average market expectations of 480kt. Similarly, wheat exports stood at 176.3kt for the week, higher than the 165.1kt reported a week ago and 138.1kt reported a year ago. The market was expecting a number closer to 78kt. Meanwhile, US corn shipments stood at 1,185.8kt, lower than the 1,283.4kt reported a week ago and 3,188.9kt reported a year ago but higher than the average market expectations of 1,063kt.

Author

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

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