The Commodities Feed: Tight US inventories support oil

Crude oil edged higher this morning on reports of a significant withdrawal in US inventories over the last week. Meanwhile, the World Gold Council expects gold to remain steady over the second half of the year in its latest mid-year outlook

Energy – Bullish API report supports oil

Oil prices edge higher in early morning trading today after API numbers overnight showed that the US crude oil inventories fell sharply. ICE Brent moved up and continued to trade above $86/bbl, while NYMEX WTI traded near $83/bbl this morning. Uncertainty over a potentially active hurricane season in the US also continued to support the oil market.

Those API numbers show that US crude oil inventories decreased by 9.2m barrels over the last week, higher than the average market expectations for stocks to fall by roughly 1.3m barrels. Crude inventories at Cushing increased by 404k barrels, gasoline stocks rose by 2.5m, and distillate stocks fell by 740k barrels. The market was expecting draws in both gasoline and distillates.

Recent data from Mysteel OilChem shows that Chinese state and independent oil refiners may increase crude processing rates to a cumulative capacity of 69.4% in July. The state plants could boost rates by 1.2% MoM, while independent refiners may increase runs by 1.6% MoM this month.

Meanwhile, US natural gas prices declined for a sixth consecutive session yesterday, with Front-month Henry Hub futures settling to the lowest level since the start of May. Forecasts for cooler weather in the central and eastern parts of the nation weighed on gas consumption prospects. Storage levels continue to hold well above the five-year average, indicating a well-supplied market to absorb any supply shock in the near term. The latest EIA data shows that current storage levels totalled 3.097tcf as of 21 June, 20.6% above the five-year average.

Metals – WGC says gold will remain steady in 2H24

In its mid-year outlook, the World Gold Council (WGC) expects gold to remain range-bound over the second half of 2024. It expects falling interest rates in the developed markets to continue supporting gold prices as higher investment flows towards gold as an inflation hedge. Along with that, gold could also be used by the global investment community to hedge the ongoing geopolitical tensions. However, WGC warned of a possibility of a sizable drop in central bank demand or widespread profit-taking from Asian investors that could impact the overall performance of gold in the latter half of the year.

In zinc, recent reports suggest that Ivanhoe Mine Ltd. has announced the completion of construction and the restart of the Kipushi mine in the DRC, with the mine producing its first concentrate on 14 June 2024. The mine has set its 2024 production guidance between 100kt-140kt of zinc in concentrate. Meanwhile, the Kipushi zinc production capacity is expected to average 278kt over the first five years, making it the fourth-largest zinc mine globally.

The latest COTR report released yesterday shows that investors trimmed net bullish positions for zinc by 3,281 lots for a fifth consecutive week to 30,981 lots for the week ending 28 June, the lowest bullish bets since 5 April 2024. This is despite the recent speculations over Chinese production cuts, as the market continues to focus on healthy exchange stocks. In contrast, net bullish bets for aluminium rose by 2,553 lots after reporting declines for three consecutive weeks to 126,126 lots at the end of last week. Meanwhile, money managers increased net bullish bets for copper by just 824 lots to 76,445 lots as of last Friday.

Agriculture – EU estimates higher sugar production

In its latest report, the European Commission estimates that the EU's sugar production will rise by 5% YoY to 16.4mt for the 2024/25 season, compared to the 2023/24 estimate of 15.6mt. Meanwhile, consumption estimates for the bloc remained unchanged at 14.4mt for the period. In contrast, sugar import estimates were trimmed slightly to 2.2mt for the 2024/25 season due to higher domestic output.

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