The Commodities Feed: Tight supplies lift oil prices

OPEC oil output dropped by around 0.9MMbbls/d in July due to production cuts from Saudi Arabia and Nigeria. Meanwhile, the American Petroleum Institute (API) reported the biggest weekly drop in oil inventory in years

Energy – OPEC crude output falls

The oil market edged higher this morning with prices of both ICE Brent and NYMEX WTI gaining more than 1% day-on-day, following a bullish inventory report from the API and lower OPEC output in July. The API reported that US crude oil inventories decreased by 15.4MMbbls over the last week, significantly higher than the market expectations of around 1.4MMbbls. If confirmed by the Energy Information Administration's (EIA) report later today, this will be the largest weekly inventory drawdown since 1982. Cushing crude oil stocks are reported to have decreased by 1.8MMbbls. On the products side, API reported that gasoline and distillates inventories fell by 1.7MMbbls and 0.5MMbbls respectively, over the week ending 28 July.

Meanwhile, preliminary OPEC production numbers for July are starting to come through and it is no surprise that the group reduced output over the month as some members agreed to implement voluntary production cuts. According to a Bloomberg survey, OPEC output declined by

0.9MMbbls/d month-on-month to 27.8MMbbls/d last month, the lowest since 2020. Saudi Arabia led the decline with its production falling by 810Mbbls/d to 9.15MMbbls/d followed by Nigeria trimming the output by 130Mbbls/d to 1.26MMbbls/d. Production in Libya also declined by 50Mbbls/d to 1.1MMbbls/d as a protest briefly disrupted production at its Sharara oil field. The output cuts were partially offset by recovering production in Iraq (+70Mbbls/d), Angola (+40Mbbls/d) and the UAE (+20Mbbls/d).

On the products side, recent reports suggest that Petroleos Mexicanos shut down the nation's largest oil-exporting terminal following an operational issue. Bloomberg reported that the FPSO Yúum K'ak' Náab in the Gulf of Mexico was shut on Sunday because of a crude leak in one of its hose trains. Prior to this, Pemex halted its Salina Cruz terminal last month following a fire incident and unfavourable weather conditions. The export disruptions from Mexico could help increase demand for the US refined products in the domestic market in the short term.

Metals – Gold demand falls marginally

In its latest update, the World Gold Council (WGC) revealed that global gold demand (excluding OTC) fell by 2.5% year-on-year to 920t in the second quarter. Cumulative demand (excluding OTC and stock flows) declined by 5.6% YoY to 2,062t in the first half of the year on slowing central bank purchases, lower consumption in the technology sector and higher prices. However, cumulative demand (including OTC and stock flows) rose by 5.3% YoY to 2,460t in the first half of the year.

Meanwhile, central bank purchases fell by 35% YoY to 103t in the second quarter of the year primarily due to the massive selling by Turkey – releasing 132t of gold in the local market. However, cumulative purchases by central banks reached 387t in 1H23, a record amount bought over a six-month period. Turning to bar and coin, demand gained 6% YoY to 277.5t. Gold ETFs reported net outflows of 21.3t over the second quarter of the year. Global jewellery consumption rose by 3% YoY to 475.9t in the second quarter.

In terms of supply, the council reported reasonable growth in mine production (+4% YoY) and recycling (+13% YoY), resulting in a higher gold supply rising by 7% YoY to 1,255.3t in the second quarter of the year.

Meanwhile, the latest LME COTR report shows that net bullish positions for copper decreased by 1,343 lots for a second consecutive week to 51,749 lots as of last Friday. Among other metals, speculators decreased their net long positions in aluminium by 5,048 lots to 101,523 lots in the week ending 28 July. In contrast, speculators increased their net long positions in zinc by 4,752 lots for a fifth consecutive week to 33,023 lots as of last Friday.

Agriculture – Russia-Ukraine tensions support grains prices

CBOT wheat prices surged more than 4.5% DoD while corn rose more than 2.5% DoD this morning on reports of a recent attack by Russia on Ukrainian ports. The latest market reports suggest that Russian forces struck the southern part of the Odesa region overnight, damaging the infrastructure of the port. Prices of both grains have been declining over the past few days on the prospects of better weather conditions resulting in growing output from the US and other major producers.

The latest data from the Brazilian Trade Ministry shows that soybean exports from Brazil jumped by 32% YoY to 9.9mt in July, while cumulative exports rose 20% YoY to 72.7mt over the first seven months of the year. Among other grains, corn exports from the nation rose 4.4% to 4.3mt last month, while year-to-date exports rose 53.6% YoY to 16mt between January 2023 and July 2023.

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