

## The Commodities Feed: US CPI weighs on the complex

Yesterday's stronger-than-expected US CPI print put pressure on gold, however, oil managed to edge higher in the early trading session as API numbers remain largely bullish for the market, while OPEC left its demand estimates unchanged



### Energy: OPEC leaves demand growth estimates unchanged

OPEC left its demand forecasts unchanged in its latest monthly report and expects oil demand in 2024 to grow by 2.25m b/d and then by a further 1.85m b/d in 2025. This is higher than the IEA growth estimates of 1.2m b/d for the year. OPEC believes that steady economic growth in major economies along with easing inflation due to anticipated interest-rate cuts should continue to support oil demand. As for non-OPEC supply, the group lowered output estimates by around 120k b/d to 1.13m b/d for 2024, following the extension of voluntary production restrictions by several countries under the OPEC+ agreement. As for OPEC supply, production in February rose by 203k b/d month-on-month to 26.57m b/d. The higher output was driven by rising production levels in Libya (+144k b/d), Nigeria (+47k b/d) and Saudi Arabia (+18k b/d). However, production declines in Iran (-15k b/d) and Iraq (-14k b/d) helped to partially offset the additions.

Meanwhile, the EIA released its latest Short-Term Energy Outlook yesterday in which it forecast

that US crude oil production would grow by around 260k b/d year-on-year in 2024 to an average of 13.2 b/d. This is slightly higher than the 13.1m b/d the EIA was forecasting last month. For 2025, EIA projects the output in the country to grow by 460k b/d to 13.65m b/d, higher than its previous forecasts of 13.49m b/d.

Inventory numbers from the API overnight were constructive for the oil market. The API reported a withdrawal of 5.5MMbbls in US crude oil inventories, in contrast with the average market expectations for a build of 0.3MMbbls. If confirmed by the EIA, then the oil inventories in the US will witness their first week of withdrawal after reporting six consecutive weeks of gains. Meanwhile, Cushing stocks are also reported to have decreased by almost 1MMbbls. Similarly, product inventories also reported declines with gasoline and distillate stocks falling by 3.8MMbbls and 1.2MMbbls, respectively over the week ending 8 March. The more widely followed EIA inventory report will be released later today.

## Metals: LME zinc cancelled warrants rise

Gold closed lower yesterday, ending nine consecutive days of upward moves, while industrial metals remained under pressure yesterday following the hotter-than-expected inflation report from the US. Recent numbers suggest that inflation in the US exceeded the forecasts for a second straight month in February, raising concerns over the expectations of a rate cut at the end of 2Q24. However, swap markets continue to see a 63% chance of a reduction in June.

LME cancelled warrants for zinc rose 7,000 tonnes to 69,025 tonnes as of yesterday, the highest since April 2022, according to the latest data from the exchange. The increase was driven by warehouses in Singapore. Meanwhile, aluminium on-warrant inventories fell by 9,100 tonnes to 200,825 tonnes (the lowest since 9 February), while exchange inventories fell by 2,100 tonnes for an eighth consecutive day to 269,850 tonnes as of yesterday. However, the cash/3m spread for zinc eased to a contango of US\$37.3/t yesterday, compared to a contango of US\$34/t a day earlier.

The latest LME COTR report released yesterday shows that investors boosted net bullish positions for copper by 5,296 lots for a fourth consecutive week to 77,477 lots in the week ending on 8 March 2024. Similarly, net bullish bets for aluminium rose by 3,564 lots after two consecutive weeks of decline to 10,839 lots at the end of last week. For zinc, money managers increased net bullish bets by 10,968 lots for a third straight week to 23,143 lots as of last Friday.

## Agriculture: Brazil forecasts lower corn and soybean output

Brazil's agriculture agency, Conab lowered its soybean and corn production estimates for 2023/24 due to lower rainfall and above-normal temperatures in the major producing regions in the country. In its monthly report, Conab estimates soybean production in Brazil to reach 146.9mt in 2023/24, down from its previous estimate of 149.4mt and lower than the average market expectations of 148.4mt. Soybean production was reported at 154.6mt in 2022/23. Meanwhile, corn production estimates were revised down to 112.8mt for 2023/24 compared to the previous estimates of 113.7mt, and the average market expectations of 115.9mt. In 2022/23, Brazil's corn output was at 131.9mt.

The Ukraine Grain Association expects Ukraine's grain and oilseed production to fall 8% year-on-year to 76.1mt for the 2024 season. Among major crops, the association expects total wheat output to drop from 22mt in 2023 to 20mt in 2024, while corn production could fall by more than

3mt to 26.3mt for the period mentioned above. The agency said that grain prices are not offering decent profitability, which would result in a reduced grain harvest area in 2024. In contrast, the soybean harvest is expected to rise to 5.5mt, from 4.9mt for the same period last year, following the rise in the harvest area. Meanwhile, exports from the country could fall by around 43.7mt for the 2024/25 season, compared to its present season's exports of 53.1mt. This will largely depend on the continued safe transit of grain shipments from the Ukrainian Black Sea corridor and the Danube route.

The latest fortnightly report from the UNICA shows that sugar cane crushing in Centre-South Brazil stood at 0.55mt over the second half of February, compared to just 0.07mt during the same period last year. The cumulative sugar cane crush for the season as of the end of February rose 19% YoY to 647mt. Meanwhile, sugar production rose to 16kt in the second half of February, compared to processing completed by this time last year. Around 23.4% of cane was allocated to sugar production over the fortnight, higher than the 5.2% allocated for sugar production in the same period last year. Cumulative sugar output so far this season stands at 42.2mt, up 25.7% YoY.

Brazil's total coffee exports rose 49% YoY to 3.6m bags (60 kg) in February, according to data released by Cecafe Group. The group said that Arabica coffee exports rose 36.5% YoY to 2.8m bags, while robusta coffee exports increased to 570.4k bags from 87.5k bags a year earlier. The overall rise in coffee exports could be largely attributed to the rise in demand from top producers – Indonesia and Vietnam.

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