The Commodities Feed: US crude inventories build

The US saw large oil inventory additions over the last week which weighed heavily on oil prices yesterday. Meanwhile, comments from International Energy Agency (IEA) officials also suggest a healthy oil supply next year

Energy – US oil inventories rise

Oil prices ended lower, with ICE Brent hitting lows of US$75 per barrel yesterday, driven by a broader sell-off in risk assets and increasing US inventories. However, prices recovered some of the losses this morning amid uncertainty in the Middle East and concerns over supply disruptions due to Hurricane Milton. Recent reports suggest that Chevron shut its fuel-importing terminal at the port of Tampa as Hurricane Milton approached the Florida coast. The move was a precautionary measure as the company shut in production ahead of the hurricane.

The Energy Information Administration's (EIA) inventory report was bearish for the oil market yesterday. US commercial crude oil inventories jumped by 5.8m barrels over the week, more than the average market expectation of a build of 1.3m barrels. However, it was less than the build of 10.9m barrels reported by API the previous day. Total crude oil inventories now stand at 422.7m barrels for the week ending on 4 October, which is about 4% below the five-year average. Crude oil stocks in Cushing increased by 1.2m barrels WoW to 24.9m barrels – the highest since the end of August 2024. In refined products, gasoline stocks fell by 6.3m barrels against a draw of just 572k barrels that the market was expecting, while distillate fuel oil stocks decreased by 3.1m barrels over the week (larger than the market expectations for a draw of 1.7m barrels).

Meanwhile, the latest comments from IEA officials suggest that oil demand growth could weaken further while supply could expand next year. The group said that demand is weakening, in particular from China, while supply will remain strong from the US and other major producing countries in 2025. For liquefied natural gas (LNG), the group said that a huge influx of new supply is expected from the US and Qatar next year. Meanwhile, the IEA is scheduled to release its World Energy Outlook next week.

Agriculture – Sugar prices fall on improving weather conditions

Sugar prices fell for a fourth straight session around 2% DoD to close at US¢22/lb yesterday on prospects of rains in Brazil. The top sugar production region, the Center-South of Brazil, expects light showers over the coming days, which means soil moisture could slightly improve the germination. However, raw sugar prices have increased by around 14% in the last month, due to an outbreak of fires in the country. Speculators have maintained their long-term net-long position. However, this could change over the coming days as rains forecast in Brazil, higher-than-expected sucrose content per hectare in CS-Brazil, and well above the average rainfall in India and Thailand (completion of the monsoon period) might weigh on the prices.

The USDA is scheduled to release its monthly WASDE report tomorrow. The initial market expectations suggest that the agency could decrease its US soybean ending stocks by 4m bushels to 546m bushels, while trimming its corn ending stock estimates by 69m bushels to 1,988m bushels. In global supply, the agency could slightly revise its Argentina corn estimates to 50.8mt (-0.2mt), while keeping soybean output estimates unchanged at 51mt. Similarly, Brazilian corn and soybean estimates could be trimmed slightly by 0.4mt each to 126.6mt and 168.6mt respectively. Meanwhile, global ending stocks for corn could decline from 308.4mt estimated in September to 307.3mt, while for soybeans the ending stock estimates could remain unchanged at 134.6mt.

Brazil's total coffee exports rose 33% YoY to 4.5m bags (60kg) in September, according to data released by Cecafe Group. The group said that the Arabica coffee exports rose 32% YoY to 3.2m bags, while Robusta coffee exports surged 41% YoY to 911.9k bags for the period. The overall rise in coffee exports could be largely attributed to the rise in demand for robusta coffee beans across the globe, despite prices moving higher amid expectations for a supply deficit this year.

The latest data from Industry Group APIC shows that Brazil's cocoa grindings fell 14% YoY to 55.3kt in the third quarter of 2024. Similarly, the cocoa industry received 66.6kt of cocoa beans for the period mentioned above, down from 69.6kt seen a year ago. The decline in grindings was largely driven by the considerable crop losses and lower quality of beans due to crop diseases. Meanwhile, cumulative cocoa grindings have dropped to 169.7kt (Vs 190.4kt) in Jan'24-Sep'24.

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