

## The Commodities Feed: Fed comments weigh on the complex

The Federal Reserve lowered rates by 25bp as expected but trimmed its rate cut expectations for 2025, and this has weighed on the commodities complex. Meanwhile, a somewhat soft weekly oil inventory report from the EIA added to downward pressure on the oil market



In its final meeting for the year, the Fed cut rates by 25bp as expected - but its quarterly forecasts for 2025 now see just 50bp of rate cuts for the year compared to previous 100bp estimates

### Energy – EIA reports smaller than expected inventory draws

Crude oil edged lower this morning as the dollar surged to its highest level in more than two years following expectations for fewer interest rate cuts from the Federal Reserve next year. Meanwhile, a lower-than-expected oil inventory withdrawal reported by the Energy Information Administration (EIA) is also keeping prices under pressure.

US weekly inventory numbers from the EIA yesterday showed that commercial crude oil inventories (excluding SPR) decreased by 0.9m barrels for the week ended on 13 December 2024, lower than market expectations of a decline of around 1.6m barrels. The draw was also smaller than the 4.7m barrel draw the API reported the previous day. When factoring in the SPR, the draw was even smaller, with total US crude oil inventories falling by just 0.4m barrels. Total US commercial crude oil stocks stand at 421m barrels, 6% below the five-year average.

Oil inventories at Cushing, Oklahoma rose 108k barrels to 23m barrels, after dropping to their lowest level since late September over the preceding week. Crude oil imports increased by 0.67m bbls/d last week to 6.65m bbls/d while exports strengthened by 1.8m bbls/d to 4.9m bbls/d (the highest since the end of July) over the reporting week.

In refined products, stocks of gasoline increased by 2.35m barrels, against a forecast for a build of 1.44m barrels. However, distillate fuel oil stockpiles fell by 3.2m barrels last week, in contrast to the market expectations of a build of 1m barrels. Meanwhile, refineries operated at 91.8% of their capacity, down from 92.4% seen in the previous week and the same period last year.

## Metals – Gold tumbles on Fed outlook

Gold prices fell more than 2% to the lowest level in a month yesterday as the Fed forecasted slower monetary easing in 2025. In its final meeting for the year, the central bank lowered its interest rates by 25bp as expected. However, its quarterly forecasts for 2025 show 50bp of rate cuts for the year compared to previous estimates of 100bp of rate cuts. The US dollar index strengthened to the highest level since November 2022 while treasury yields also edged higher following the expectations of a slower pace of rate cuts next year.

LME copper was seen trading below US\$8,950/t, and other industrial metals also edged lower this morning following the overall weakness in the broader financial markets. LME copper 3m prices settled at US\$9,029/t yesterday, the lowest since the start of the month.

The latest data from the International Lead and Zinc Study Group (ILZSG) shows that the global zinc market recorded a marginal surplus of 19kt in the first 10 months of the year, lower than the surplus of 356kt during the same period last year. Global refined zinc production fell 1.7% year-on-year to 11.36mt, while total consumption reported gains of 1.3% YoY to 11.34mt between January and October 2024. As for lead, total production declined by 1.7% YoY to 10.78mt while consumption fell by 1.6% YoY to 10.76mt over the first ten months of the year. The global lead market witnessed a slight surplus of 21kt between January and October this year, compared to a surplus of 37kt during the same period last year.

## Agriculture – US cocoa surges to fresh highs

US cocoa prices surged above US\$12,000/t for the first time, while the price in London also edged higher yesterday on rising concerns of lower output in the Ivory Coast. Recent weather reports suggest that current dry conditions in West Africa are posing threats to cocoa trees and are expected to hamper output in February and March next year. There are no rainfalls expected in the region for the next 7-10 days and the Harmattan wind could worsen the production recovery. As per recent Bloomberg estimates, cocoa output in Ivory Coast is expected at 1.9mt in the 2024/25 season. This is lower than the government estimates of about 2.1mt-2.2mt near the start of the season in October. The expectation for a poor harvest comes at a time when inventories in the US exchange warehouses are at their lowest levels in more than two decades.

France's Agriculture Ministry estimates the 2024/25 French soft wheat inventories at 2.87mt, higher than its previous estimates of 2.79mt. However, this is still 9.9% lower compared to the 2023/24 levels. Meanwhile, expectations for soft wheat exports in the 2024/25 season stand at 9.76mt (around 41% YoY), down from 9.89mt estimated earlier. As for corn, stockpile estimates were increased from 2.36mt to 2.68mt, while exports are seen at 4.67mt (vs. 4.76 estimated earlier) for the 2024/25 season.

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