

The Commodities Feed: US oil inventories fall

The latest inventory numbers from the American Petroleum Institute (API) remain largely supportive of the market. In its annual outlook, OPEC forecasts healthy demand for crude oil in the long term



Energy – Bullish API numbers

ICE Brent prices are unchanged as the market cautiously evaluates the Middle East scenarios. Recent reports suggest that tropical storm Helene strengthened as it moved towards the Gulf of Mexico. The Bureau of Safety and Environmental Enforcement (BSEE) estimates that around 16.2% of current oil production has been shut down in the Gulf of Mexico.

API numbers released overnight were constructive. US crude oil inventories are estimated to have fallen by 4 million barrels over the last week, against the market expectations of a decline of just 0.9m barrels. Inventory draws were also seen in products with gasoline and distillate stocks declining by 3.4m barrels and 1.1m barrels respectively. The more widely followed EIA report will be released later today.

OPEC published its long-term outlook for crude oil yesterday and it forecasts strong oil demand in the medium term. OPEC expects global oil consumption to increase to 112.3m bbls/d in 2029 and further to 120.1m bbls/d by 2050 compared to 102.2m bbls/d in 2023. The demand growth slows

down post-2030, however the organisation does not expect the peak of oil demand in the foreseeable future even as investments in alternate fuels have increased. On the other hand, OPEC sees US crude oil supply peaking by 2030 and declining gradually later on as shale oil production falls.

US natural gas edged higher with front-month Henry Hub futures trading around \$2.6/MMBtu this morning primarily on rising supply risks due to a storm in the Gulf of Mexico. Tropical storm Helene has disrupted around 11.2% of natural gas production in the Gulf of Mexico, according to recent estimates from BSEE. However, the latest weather forecasts in the US signalled weak demand growth for the power-plant fuel over the coming week. Meanwhile, the EIA will release its weekly natural gas storage report for the US tomorrow. The market expects around a 52bcf increase in storage over the week.

Metals – Global steel output declines

Global steel production declined by 6.5% year-on-year to 144.8mt in August amid lower output from major producers, including China, Japan, Russia, and South Korea, the latest data from the World Steel Association (WSA) shows. Cumulatively, global steel output fell by 1.5% YoY to 1,251.1mt over the first eight months of the year. Chinese steel production fell 10.4% YoY to 77.9mt last month, while cumulative output declined 3.3% YoY to 691.4mt between January and August. Production in Russia, Japan, and South Korea decreased by 11.5% YoY, 3.9% YoY and 2.2% YoY respectively in August.

The latest COTR report released yesterday showed that investors boosted net bullish positions for copper by 2,863 lots for a second consecutive week to 69,186 lots for the week ending 20 September, the highest net long since 19 July 2024. For aluminium, the net long rose by 5,030 lots after reporting declines for two consecutive weeks to 116,138 lots over the last reporting week, the highest since the week ending on 30 August 2024.

Agriculture – USDA could increase its grain stock estimates

The United States Department of Agriculture (USDA) will release its quarterly grain stocks report early next week. The market expects the agency to increase the US corn stocks by 36% YoY to 1,846m bushels as of 1 September. Similarly, soybean stocks are expected to rise by 31% YoY to 347m bushels, while wheat stocks are seen at 1,992m bushels, up 13% YoY for the period mentioned above. China has taken steps to protect farmers by limiting the overseas purchases of grains as the domestic warehouses have plenty of grains that could lead to a rise in US stocks. Meanwhile, wheat production estimates remained unchanged at 1.98bn bushels for 2024.

Data from the European Commission shows that EU soft-wheat exports for the 2024/25 season stood at 5.9mt as of 22 September, down by 24% compared to 7.7mt reported in a similar period a year ago. The decline in exports was largely driven by France, where excessive rains have impacted the crop. The primary destinations for these shipments were Morocco, Nigeria, and Egypt. The commission added that France's corn imports stood at 4.7mt, up 12% YoY.

Authors

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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