

The Commodities Feed: USD provides some tailwinds

Your daily roundup of commodities news and ING views



Energy - oil bounces

The retreat in the USD has provided a boost to oil prices, with ICE Brent briefly trading back above US\$95/bbl at one stage yesterday. Despite this rebound, there are still some clear downside risks for the market. The most important continues to be China's zero covid policy.

The latest data from the US Department of Energy (DOE) shows that US strategic petroleum reserves (SPR) fell by 8.4MMbbls over the last week to 434.1MMbbls, the lowest level that the SPR has seen since October 1984. The current releases are set to come to an end in October. However, there are reports that the US is looking to potentially extend SPR releases. Clearly, the US administration is concerned about what happens to oil prices once the current releases come to an end.

EU ministers continue to work towards coming up with a plan to intervene in European energy markets. A draft proposal suggests that the EU will look to enforce mandatory demand cuts for power- overall demand cuts as well as during peak hours. In addition, the EU is also proposing a levy on energy companies' extra/abnormal profits. Finally, the EU also wants to cap revenues for power generators, with the exception of gas fired power capacity. This is still a proposal, but the

hope is that a deal is finalised before the end of September.

Metals - weaker dollar boosts prices

Base metals prices started the week higher, boosted by the weaker dollar as the US currency retreated from a record high it reached last week.

Aluminium supply risks were exacerbated amid talks of potential power cuts to smelters in China's Yunnan province. The province, which accounts for more than 12% of the country's production, may begin reducing operating rates by 20-30% this month amid a drought-induced shortage of hydropower.

Meanwhile, the European Union said it will outline this week concrete measures to address the worsening energy crisis, including a proposal for targets to reduce electricity demand as well as aiming to cap excessive revenues of companies producing power from sources other than gas, through a limit on the price of electricity generated from technologies such as renewables, lignite or nuclear energy.

Agriculture - USDA revisions push soybeans higher

The latest USDA WASDE report shows expectations of further tightening in US corn and soybean supply. For corn, the USDA has revised its 2022/23 ending stocks to 1.22bn bushels a previous estimate of 1.39bn bushels. This was still somewhat higher than the 1.19bn bushels the market was expecting. US corn output was revised down from 14.36bn bushels to 13.94bn bushels. This lower output was partly offset by lower domestic demand as well as exports. US soybean production estimates were revised down, from 4.53bn bushels to 4.38bn bushels, due to lower acreage and yield estimates. As a result, US ending stocks for soybeans were lowered from 245m bushels to 200m bushels for 2022/23, some distance from the 246m bushels the market was expecting. The USDA left US wheat supply and consumption unchanged.

For the global market, the USDA estimates corn ending stocks to fall from 306.7mt to 304.5mt for 2022/23, still above the 301.7mt the market was expecting. Global corn production estimates were lowered by 7mt to 1,172.6mt due to supply losses from the US (-10.5mt) and the EU (-1.2mt). Similarly, soybean global ending stocks were lowered from 101.4mt to 98.9mt, lower than market expectations of a little over 101mt. Finally, global wheat ending stocks were increased from 267.3mt to 268.6mt, largely on the back of an increase in production estimates for 2022/23.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

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