

The Commodities Feed: USD weakness supports the complex

Oil prices continued their recovery yesterday, supported by supply disruptions in the US Gulf of Mexico. The weaker USD also provided support to the broader complex



Energy - Oil continues its recovery

Oil prices continued their move higher yesterday. ICE Brent settled more than 1.9% higher on the day, leaving it within striking distance of \$72/bbl. Supply disruptions from Hurricane Francine continue to provide some support. The latest data from the Bureau of Safety and Environmental Enforcement shows that 41.74% of US Gulf of Mexico oil production has been shut in due to the storm. More than 53% of natural gas production has also been shut in.

The IEA's monthly oil market report yesterday painted a bearish picture. The IEA estimates that global oil demand grew by just 800k b/d in the first half of the year and now expects global oil demand to grow by 900k b/d in 2024. China has been the key driver in this slower demand growth. The IEA estimates that Chinese demand fell YoY for a fourth consecutive month in July, declining by 280k b/d. The IEA expects China's oil demand to grow by just 180k b/d this year. The only supportive numbers in the report were inventory numbers. The IEA estimates that oil inventories declined by 47.1m barrels in July and preliminary numbers suggest a further decline in August.

Obviously, with the expectation that the market returns to a sizeable surplus in 2025, these draws will not last.

US natural gas prices rallied yesterday. The front-month Henry Hub contract rallied by more than 3.8% after US natural gas storage increased by less than expected. EIA data shows that storage increased by 40 Bcf over the last week, below expectations for a 48 Bcf increase and the 5-year average of a 67 Bcf increase.

Agriculture – US corn stocks fall

In its latest WASDE report, the USDA revised up its US corn production estimates by 39m bushels to 15.19bn bushels on better yields. However, 2024/25 beginning stock estimates were lowered by 55m bushels to 1,812m bushels following increased exports and corn use for ethanol in 2023/24. As a result, ending stock estimates were revised down by 16m bushels to 2,057m bushels. This was still above market expectations of around 2,033m bushels. For the global market, the agency lowered 2024/25 ending stock estimates by 1.8mt to 308.4mt.

The USDA revised down its 2024/25 US soybean production estimates by 3m bushels to 4.59bn bushels, broadly in line with market expectations. Consumption estimates were also increased by 2m bushels to 2,541m bushels. As a result, 2024/25 ending stock estimates were lowered by 10m bushels to 550m bushels. Looking at the global soybean balance, 2024/25 global ending stocks were increased marginally from 134.3mt to 134.6mt.

For wheat, the USDA kept its domestic ending stocks estimates for 2024/25 unchanged at 828m bushels, while for the global balance, ending stocks increased marginally from 256.6mt to 257.2mt

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