# The Commodities Feed: Brent settles below $100/bbl

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## Energy

The oil market came under further pressure yesterday. ICE Brent settled more than 7% lower on the day, which left it to close below US$100/bbl for the first time since April. This downward pressure has continued in early morning trading in Asia today. Lingering recession fears continue to hit the market, whilst the strength of the USD and flare-up in Covid cases in parts of China is certainly not helping. Brent is in oversold territory at the moment, and the fundamentals do not justify the scale of the sell-off we have seen in recent weeks. The oil market is still tight, as reflected in the prompt Brent spread. The outlook is for this tightness to persist.

OPEC released its latest monthly market report yesterday, which included its first forecasts for 2023. OPEC forecasts that oil demand will grow by 2.7MMbbls/d, partly supported by a recovery in Chinese demand following Covid lockdowns this year. However, the group expects that non-OPEC oil supply will grow by 1.7MMbbls/d. In order to balance the global market next year, OPEC would need to produce on average 30.1MMbbls/d, which is around 1.4MMbbls/d above where the group is currently producing. Given that OPEC has struggled to hit their production target for months, it will likely be a struggle for group to hit this production level, which suggests that the tightness in the global oil market will persist through 2023.

The EIA also released its latest Short Term Energy Outlook yesterday, in which US crude oil production in 2022 is expected to average 11.91MMbbls/d, up 732Mbbls/d YoY. This is largely unchanged from previous forecasts. However, for 2023 the EIA expects that oil output will grow by 860Mbbls/d YoY to average 12.77MMbbls/d, which is below a previous forecast of 12.97MMbbls/d.

## Agriculture

Yesterday's WASDE report saw US 2022/23 ending stocks for soybeans and corn coming in above market expectations. The USDA revised down US ending stocks for soybeans from 280m bushels to 230m bushels. However, this is still above the roughly 214m bushels the market was expecting. The decrease was driven by a revision on the production side, where acreage was lowered from 91m acres to 88.3m acres, which resulted in output estimates falling from 4.64b bushels to 4.51b bushels. US corn ending stocks for 2022/23 came in at 1.47b bushels, up from a previous estimate of 1.4b bushels, and also higher than market expectations of around 1.4b bushels. The increase was driven by an upward revision in domestic production, due to an increase in corn acreage. There were marginal changes to the US wheat balance. Domestic ending stocks for 2022/23 were increased from 627m bushels to 639m bushels; largely in line with market expectations.

Global soybean ending stocks were revised down from 100.5mt to 99.6mt for 2022/23, largely due to the revisions made in the US balance. Similarly for corn, global ending stocks were increased from 310.5mt to 312.9mt, with the bulk of this driven by the US. For wheat, whilst there were some large individual revisions, the aggregate change was fairly small. The USDA revised lower production estimates for the EU and Ukraine by 2mt each to 134.1mt and 19.5mt respectively. But these revisions were partly offset by increases from Russia (+1.5mt) and Canada (+1mt). After also taking into account downward demand revisions, global ending stocks for 2022/23 were increased from 266.9mt to 267.5mt.

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