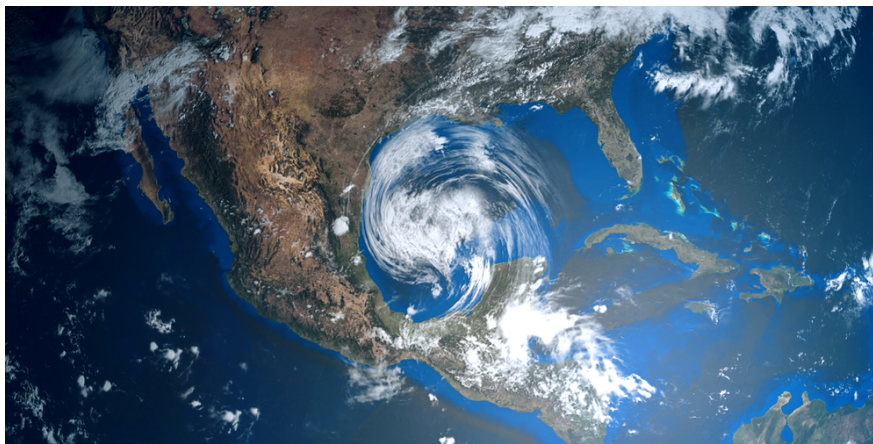


The Commodities Feed: Hurricane Ida hits US Gulf Coast

Your daily roundup of commodity news and ING views



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Energy

The oil market has continued to strengthen this morning. ICE Brent is trading back above US\$73/bbl, while WTI is creeping closer to the US\$70/bbl level. Momentum is clearly upwards following the price action seen last week, where Brent rallied more than 11%. More recent strength in the market has been driven by category-4 Hurricane Ida in the US Gulf. According to the Bureau of Safety and Environmental Enforcement (BSEE) 1.74MMbbls/d of offshore US Gulf of Mexico (GoM) oil production has been shut in, which is equivalent to 95.65% of total US GoM output. 93.75% of US GoM natural gas production has also been shut in. While the storm has been bullish for oil prices, this could shift fairly quickly. More than 2MMbbls/d of refining capacity has been shut due to the hurricane. The big question is, which will make a quicker return - offshore oil production or refining capacity? If it is the former, we could start to see a build-up of crude oil inventories, which would not be a constructive signal for oil prices, although it would likely be supportive for refined product cracks. The Colonial pipeline, which runs from Houston to the East Coast has also been affected. The operator has decided to temporarily shut lines 1 and 2 from Houston to Greensboro, North Carolina. This could lead to some tightening up in the refined products market on the US East Coast.

There is also the potential for further volatility as we move through the week. OPEC+ is scheduled to meet on 1 September for their monthly meeting. We do not foresee any fireworks from the group following the more recent recovery in prices. And we expect that they will continue the

easing of their supply cuts as planned. OPEC+ is set to increase output by 400Mbbls/d per month through until the end of the year. This will also be the first OPEC+ meeting since the US administration called on OPEC+ to increase supply further. We do not believe the group will entertain this idea.

The latest positioning data show that speculators slightly reduced their net long in ICE Brent over the last reporting week. The managed money net long was reduced by 8,854 lots, leaving speculators with a net long of 245,964 lots as of last Tuesday. This reduction was predominantly driven by longs liquidating. NYMEX WTI saw a similarly small reduction. The speculative net long in WTI was reduced by 7,188 lots to 272,926 lots.

Metals

Spot gold prices traded to their highest levels since the end of July following Jerome Powell's speech at the annual Jackson Hole Symposium. Powell's comments were more dovish than the stance taken by a number of regional Fed presidents. While tapering could begin this year, much will depend on data and the spread of the delta variant. As a result, the market will be focusing on the US jobs report at the end of this week. A strong number could still put us on track for a September taper announcement.

China's National Food and Strategic Reserves Administration announced that they will release a third batch of metals from state reserves on 1 September. 70kt of aluminium, 50kt of zinc and 30kt of copper will be offered in this latest release. Up until now, a total of 270kt of the three metals have been released from reserves.

The latest reports from Shanghai Metals Market suggests that Changji in Xinjiang region in China has required five local aluminium smelters to curb output from August, which would result in an annual capacity cut of about 360kt.

Agriculture

The International Sugar Organization has increased its sugar deficit estimate for the 2021/22 season to 3.83mt compared to an earlier forecast for a deficit of 2.65mt. Supply concerns from Brazil due to frost this year should keep supply tight. The organization expects Brazilian sugar production to fall by around 4.45mt YoY in 2021/22, offsetting healthy production growth in Thailand and elsewhere. Global production is expected to increase by a marginal 0.2% YoY to 170.6mt. The ISO expects sugar consumption to increase at a healthy pace of 1.6% YoY to 174.5mt in 2021/22.

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