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COMMODITIES DAILY

The Commodities Feed: Oil maintains gains amid Persian Gulf escalation

Oil prices are still holding most of their recent gains, but those could prove fragile. If Strait of Hormuz flows continue uninterrupted despite the latest escalation, the upward pressure on prices may begin to fade



Energy - Iraq oil exports pick up in August

Oil prices remain elevated, with ICE Brent holding above US\$95/bbl amid a pickup in hostilities between the US and Iran this week. This included Iran firing missiles into neighbouring Gulf countries. Escalation is propping up crude, but the rally may lose traction if Hormuz shipments keep moving smoothly. According to reports, Iraq exported the highest amount of oil since the start of the US-Iran war in August -- a total of 2.35m b/d. Of that, around 2.26m b/d was exported from southern routes. This would need to eventually go through the Strait of Hormuz. Furthermore, Saudi Arabia kept its official selling price for its flagship Arab Light unchanged at a \$2/bbl discount for October loadings. The expectation had been for an increase, suggesting the market is not as tight as thought.

However, refined product markets remain significantly tight. The latest data from Insights Global shows that refined product inventories in the ARA region fell by 118kt week-on-week to 4.15mt. The decline was led by naphtha, gasoil and jet fuel. With gasoil inventories at 1.61mt, they are now seasonally below 2022 levels. Unless Persian

Gulf and/or Russian diesel flows recover, the market is likely to tighten further as we head towards winter. This tightness in middle distillates is not isolated to Europe. US diesel cracks remain above \$100/bbl, while retail diesel prices in the US have hit their highest level since mid-2022.

In Singapore, refined product stocks fell by 140k barrels over the week to 39m barrels. Declines were driven by light and middle distillates, falling 837k barrels and 615k barrels, respectively. Light distillate stocks now stand at 10.7m barrels, down from a peak of 19.5m barrels in February this year, and the lowest level since 2021.

In gas markets, spot Asian LNG traded at its highest levels since 2022. Amid this strength, the JKM-TTF spread widened again, making it less clear whether flexible cargoes should continue to be sent to Europe.

In the US, the natural gas market edged lower yesterday, with front-month Henry Hub futures down 1.45%. This is despite the EIA storage data coming in largely as expected, with a 30bcf increase over the week. The market had been looking for a 31bcf increase. However, storage remains very comfortable, more than 5% above the 5-year average.

Metals – Central bank gold demand remains resilient

Central banks continued to add to gold reserves in July, reporting net purchases of 23 tonnes, according to World Gold Council data. Emerging market central banks remained the main buyers, led by China and Poland. China's central bank extended its buying streak to 21 consecutive months, adding 20 tonnes. Poland bought a further 8 tonnes, taking its year-to-date purchases to 90 tonnes.

Central banks in the Czech Republic, Kazakhstan, Malaysia and Bolivia also increased holdings. Russia was the largest seller, reducing reserves by 6 tonnes. Although central bank buying has slowed compared to a year ago, official sector demand continues to provide support for the gold market. Ongoing reserve diversification efforts among emerging economies should help sustain structural demand, even if purchases moderate from recent highs.

Gold prices rose more than 2% on Thursday following a weaker-than-expected ADP employment report on Wednesday. Comments from US Federal Reserve official Christopher Waller, suggesting he is open to keeping rates on hold at the next FOMC meeting (assuming no surprises on the inflation front), provided an additional boost.

Agriculture – Wheat falls on Russia-Ukraine peace hopes

CBOT wheat came under further pressure yesterday with the December contract settling more than 2.5% lower on the day. The decline comes as Russian President Vladimir Putin signalled

potential progress in Russia-Ukraine peace negotiations, easing concerns over grain supplies from the Black Sea. Russia and Ukraine account for more than a quarter of global wheat exports, making developments in the conflict a key driver of market sentiment.

Vietnam's Statistics Office estimates August coffee exports at 132kt -- a sharp jump of 56.3% year-on-year from 84.2kt a year earlier, supported by improving supply. This leaves cumulative coffee exports at 1.33mt over the first eight months of the year, up 13.7% YoY.

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