

## Monthly Commodity Outlook

26 July 2024

### Commodity Views

#### Month in Review:

Commodity prices have been trading mixed in recent weeks, with approximately half of the commodities on our tracking list (17 of 31) performing poorly. Notably, the *Metals and Minerals* market has underperformed.

Crude oil prices experienced a rebound after a significant drop in early June. Escalating geopolitical tensions in the Middle East provided further momentum for the rebound. However, prices have since weakened due to disappointing 2Q24 GDP growth in China, raising concerns about global oil demand. Meanwhile, gold prices rallied and reached a record high on July 17. This rally was largely driven by increased expectations of a rate cut by the Fed, falling UST yields, and investors positioning for a growing likelihood of a second Trump presidency. In contrast, prices in *Metals and Minerals* remained weak due to soft demand and an improved supply outlook. Both US ISM Manufacturing and China Manufacturing PMI remained in contractionary territory in June, indicating limited potential for price increases in the near-term. In the *Agriculture* sector, prices were mixed, with coffee, palm oil, and soybean oil performing well, while cocoa and cotton weakened. Specifically, palm oil prices were elevated in the earlier part of July due to trade policy uncertainties involving key palm-producing Indonesia and key importer China. Nonetheless, given a favourable supply outlook, we expect CPO prices to normalize in the coming months.

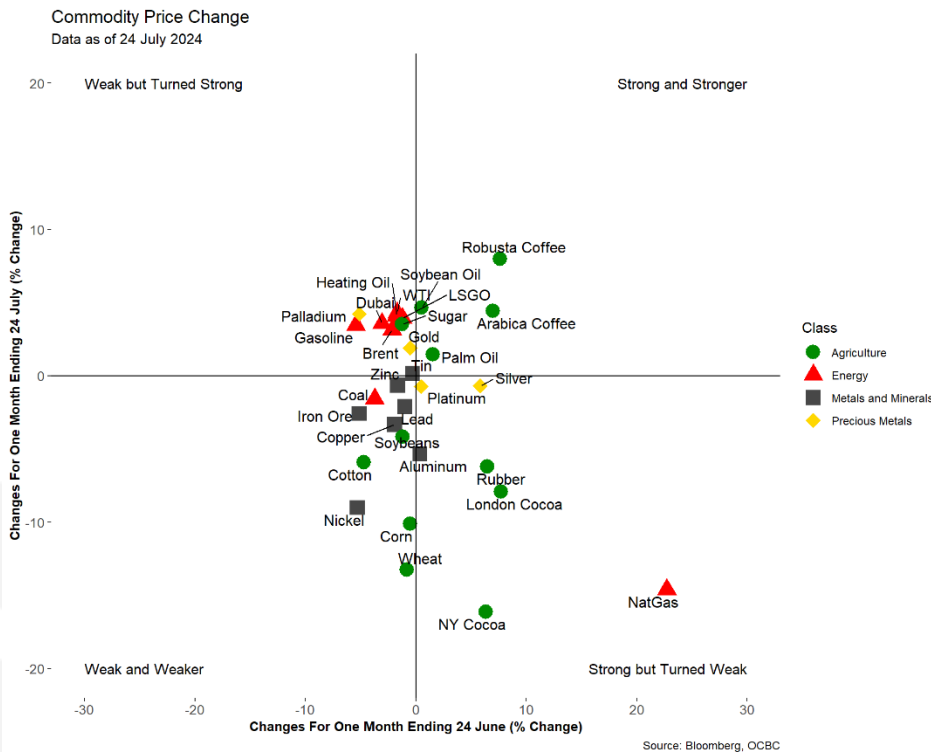
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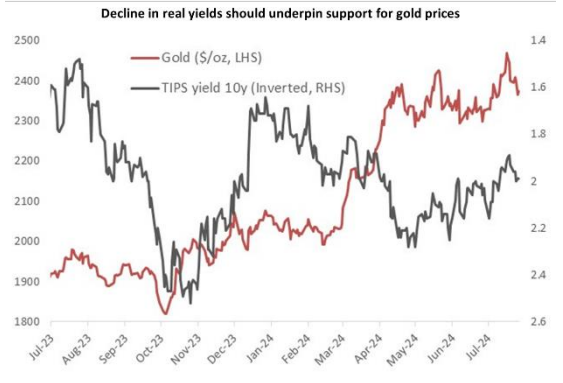
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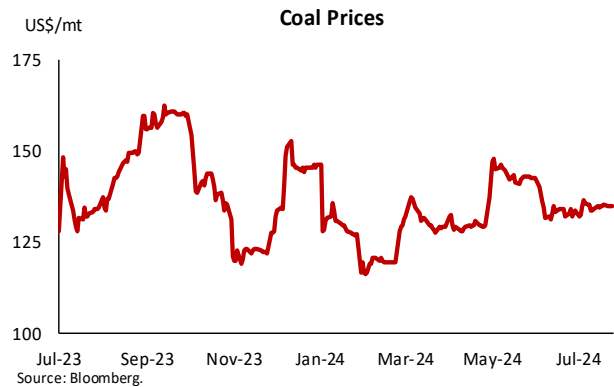
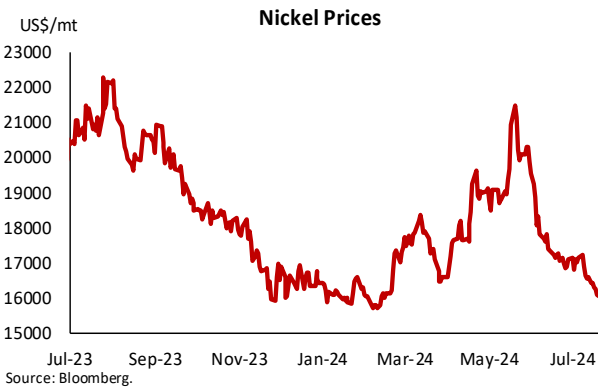
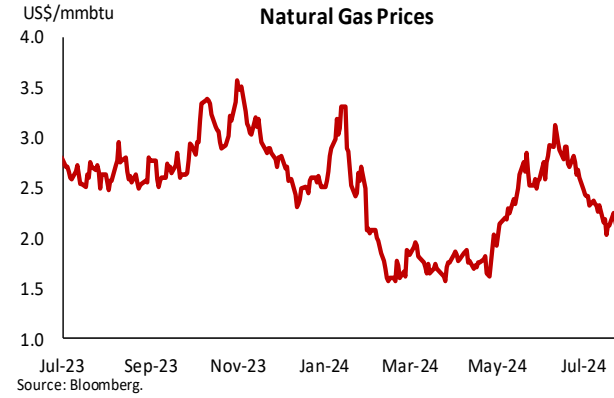
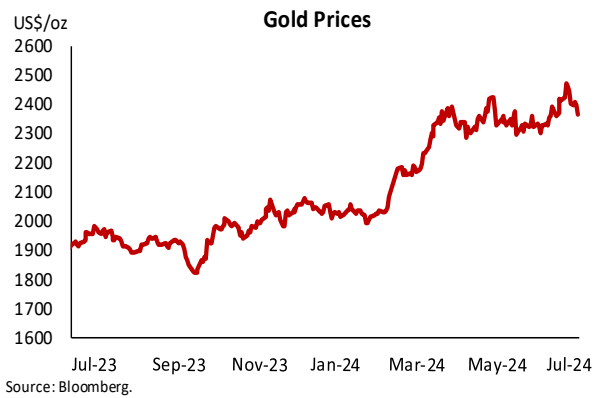
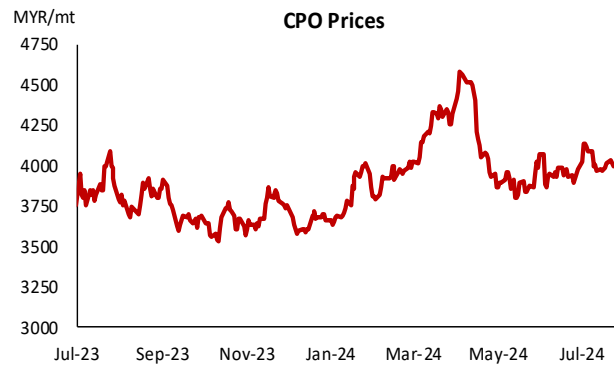
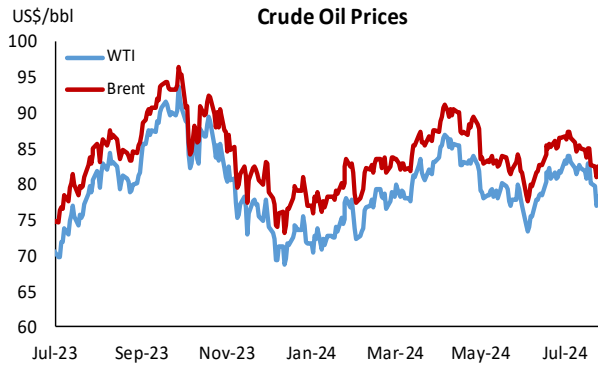


## Summary Views

Commodity	Latest Developments and Outlook	Charts																											
<p><b>Oil</b></p>	<p>The upward momentum in oil prices peaked in early July. In the first week of July, WTI and Brent rose by 3.7% and 1.8%, reaching a high of USD84.5/bbl and USD88.0/bbl, respectively. During this period, higher oil prices were supported by a significant drawdown in US crude oil and fuel inventories (for the week ending June 28), while Hurricane Beryl threatened to disrupt oil operations along the US Gulf Coast. Nonetheless, the impact of Hurricane Beryl on key US energy facilities was minimal. Since then, oil prices have dipped lower as the oil market shifted its attention to demand issues: China GDP growth slowed more-than-expected to 4.7% YoY (Consensus: 5.1%) in 2Q24 versus 5.3% in 1Q24. This prompted concerns that a slowing Chinese economy could dampen global oil demand.</p> <p>On inventories, US crude oil and fuel inventories remain below their 2019–2023 seasonal average. According to the US Energy Information Administration (EIA), crude oil inventories declined by 3.7mn bbls to 436.5mn bbls, for the week ending 19 July. For refined products, both gasoline and distillate inventories declined by 5.6mn bbls and 2.8mn bbls to 227.4mn bbls and 125.3mn bbls, respectively. Meanwhile, refinery utilisation rates remain robust at 93.6% on a 4-week rolling average for the week ending 19 July, hovering at the upper end of the 2019 – 2023 seasonal range.</p> <p>Looking ahead, we believe the recent price weakness might be overdone. Near-term time spreads remain in a steep backwardation, suggesting continued tightness in the physical market. As such, we expect some reversal in oil prices to take place as the fundamental outlook remains constructive for oil prices to move higher from current levels, in our view. We maintain our forecast for WTI and Brent oil prices to average USD80/bbl and USD86/bbl in 2H24, respectively, compared to USD78.8/bbl and USD83.4/bbl in 1H24.</p>	<p><b>WTI and Brent Timespreads</b></p> <p>USD/bbl</p> <p>WTI M1-M2 Brent M1-M2</p> <p>Source: Bloomberg, OCBC</p> <p><b>US Crude Oil Inventories</b></p> <p>mn bbls</p> <p>2023 2024 5 Year Average (2019 - 2023) 2019 - 2023 Min/Max Range</p> <p>Week</p> <p>Note: Updated for the week ending 19 July Source: EIA, OCBC</p> <p><b>US Gasoline Inventories</b></p> <p>mn bbls</p> <p>2023 2024 5 Year Average (2019 - 2023) 2019 - 2023 Min/Max Range</p> <p>Week</p> <p>Note: Updated for the week ending 19 July Source: EIA, OCBC</p>																											
	<p>Price forecast:</p> <table border="1"> <thead> <tr> <th>USD/bbl</th> <th>25 July Close</th> <th>FC 3Q24</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>FC 2Q25</th> <th>2023</th> <th>FC 2024</th> <th>FC 2025</th> </tr> </thead> <tbody> <tr> <td>Brent</td> <td>82.4</td> <td>88.2 ↑</td> <td>84.1 ↓</td> <td>81.5 ↓</td> <td>80.2 ↓</td> <td>82.2</td> <td>85 ↑</td> <td>80 ↓</td> </tr> <tr> <td>WTI</td> <td>78.3</td> <td>82.5 ↑</td> <td>77.8 ↓</td> <td>74.6 ↓</td> <td>73.6 ↓</td> <td>77.6</td> <td>79 ↑</td> <td>75 ↓</td> </tr> </tbody> </table> <p>Note: Last updated on 26 July 2024. Forecasts (FC) are based on OCBC estimates. Price arrows are compared to previous period, i.e., 4Q24 average of USD84.1/bbl where ↑, ↓, and →, suggest higher, lower, and flat price from previous period, respectively. 2023 price is the average of daily closing prices. Source: EIA, IEA, OPEC, Bloomberg, Reuters, OCBC.</p>	USD/bbl	25 July Close	FC 3Q24	FC 4Q24	FC 1Q25	FC 2Q25	2023	FC 2024	FC 2025	Brent	82.4	88.2 ↑	84.1 ↓	81.5 ↓	80.2 ↓	82.2	85 ↑	80 ↓	WTI	78.3	82.5 ↑	77.8 ↓	74.6 ↓	73.6 ↓	77.6	79 ↑	75 ↓	
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<p><b>Palm Oil</b></p> <p>CPO traded largely above the MYR4,000/mt level in July, reaching as high as MYR4,155 on 7-Jul before easing and last closed at MYR4,008 on 25-Jul. We believe this price spike to be temporary, driven primarily by speculation that China may retaliate against Indonesia's planned 'anti-dumping' measures, which have not yet been finalized and therefore remains unclear how China would respond. To that end, we maintain the view that prices will moderate in 2H24 due to favourable supply dynamics, although the downward price movement may be more gradual than previously expected. Specifically, we keep our forecast for CPO prices to average MYR3,950/mt in 2024, a ~3.6% increase from the average price in 2023.</p> <p>Malaysia's CPO production fell 5.2% MoM in June, but the cumulative production rose 9.8% YoY to 8.9mn tonnes in 1H24, marking the highest first-half production level since 2020. Meanwhile, the latest available data from Indonesia showed that year-to-April CPO production growth was more muted at 0.6% YoY, reaching 16.3mn tonnes. Looking ahead, increased workforce in Malaysia, coupled with the expected wetter conditions (El Nino spells faded in May) in key palm-growing regions in Malaysia and Indonesia, should be supportive of yield. However, there is a risk that the impending arrival of La Nina in September and October, which could result in unpredictable rainfall patterns, may disrupt fieldwork during the typically peak harvest season.</p> <p>On the demand side, Malaysia's crude and processed palm oil exports rose by 2.9% YoY in June, bringing the cumulative 1H24 exports to 7.5mn tonnes, a 6.1% YoY increase. Confirming this pickup, India's palm oil imports grew 15.1% YoY in June to bring the cumulative 1H24 palm oil imports to 4.0mn (+5.8% YoY), according to data from the Solvent Extractors' Association. Meanwhile, Indonesia's crude and processed palm oil exports contracted by 9.7% YoY to 7.6mn in the January-April period. The near-term demand for CPO may remain fluid, depending on its price dynamics relative to other vegetable oils, before picking up towards 4Q24 due to festivities demand.</p> <p>To that end, CPO discounts over soybean oil widened in July, averaging ~USD180/mt mtd versus ~USD126 in June. In the medium term, higher CPO demand is expected to come from biofuels, with Indonesia planning for widespread use of the B40 biodiesel mandate in 2025, up from B35 this year. Indonesia initiated a trial for B40 biodiesel on trains on 22-Jul.</p>	<p><b>Malaysia CPO Production</b></p> <p>Source: Malaysian Palm Oil Board, CEIC, OCBC.</p> <p><b>India Palm Oil Imports</b></p> <p>Source: The Solvent Extractors' Association, Bloomberg, OCBC.</p> <p><b>Indonesia Palm Oil Domestic Consumption by end-use</b></p> <p>Source: Indonesia Palm Oil Association, CEIC, OCBC.</p>	<p><b>Price forecast:</b></p> <table border="1"> <thead> <tr> <th>MYR/mt</th> <th>25 July Close</th> <th>FC 3Q24</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>FC 2Q25</th> <th>2023</th> <th>FC 2024</th> <th>FC 2025*</th> </tr> </thead> <tbody> <tr> <td>Malaysia Palm Oil</td> <td>4,008</td> <td>3,900 ↓</td> <td>3,850 ↓</td> <td>3,850 →</td> <td>3,850 →</td> <td>3,812</td> <td>3,950 ↑</td> <td>3,750 ↓</td> </tr> </tbody> </table> <p><i>Note: Last updated on 26 July 2024. Forecasts (FC) are based on OCBC estimates, except for FC 2025*, which is a Bloomberg consensus. Price arrows are compared to previous period, i.e., 3Q24 average of MYR3,900/mt where ↑, ↓, and →, suggest higher, lower, and flat price from previous period (i.e., 2Q24 average of MYR4,031/mt), respectively. 2023 price is the average of daily closing prices. Source: MPOB, GAPKI, Intertek Testing Services, The Solvent Extractor's Association, CEIC, Bloomberg, OCBC.</i></p>	MYR/mt	25 July Close	FC 3Q24	FC 4Q24	FC 1Q25	FC 2Q25	2023	FC 2024	FC 2025*	Malaysia Palm Oil	4,008	3,900 ↓	3,850 ↓	3,850 →	3,850 →	3,812	3,950 ↑	3,750 ↓
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<p><b>Gold</b></p> <p>Gold has traded choppy over the last couple of weeks, printing a high of 2483 (17 Jul), on rising hopes of imminent Fed cut and Trump trade but gains were somewhat reversed as hopes of imminent Fed cut faded while Trump trade unwound. Near term, the focus is on core PCE data (26 Jul) and the FoMC decision (31 Jul). Any unexpected uptick in price pressures will dent rate cut hopes and this will further undermine prices of gold. However, given that markets have fully priced in a rate cut in Sep, there may be limited upside reaction to gold prices should core PCE comes in as expected. A much lower-than-expected print may be needed for gold to rebound. Next week's FoMC will be one event to watch out for in terms of any surprises. A more dovish outcome should be supportive of gold's outlook. Elsewhere on the political front, US' DNC will be key as Democrats should nominate Kamala Harris as their Presidential candidate after Biden dropped out of the race. Kamala's rise can present a real challenge to Trump's bid for a second presidency. The implication is that further unwinding of Trump trades may see near term downside pressure on gold prices.</p> <p>Spot gold was last seen at 2370 levels. Daily momentum turned mild bearish while RSI fell. Risks skewed to the downside. Support at 2360 (50DMA), 2340 (100 DMA) and 2292 (38.2% fibo retracement of 2024 low to high). Resistance at 2388 (21 DMA), 2425 levels.</p> <p>Medium term outlook remains somewhat positive driven by several factors, including the anticipation of central banks globally easing monetary policy, expectations that key central banks will resume gold purchases, geopolitical concerns/trade tensions, and gold's role as a safe haven and portfolio diversifier.</p>	<p>Price forecast (End-period):</p> <table border="1" data-bbox="245 1464 1519 1541"> <thead> <tr> <th>USD/oz</th> <th>25 July Close</th> <th>FC 3Q24</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>FC 2Q25</th> <th>2023</th> <th>FC 2024</th> <th>FC 2025</th> </tr> </thead> <tbody> <tr> <td>Gold</td> <td>2365</td> <td>2415 ↑</td> <td>2445 ↑</td> <td>2475 ↑</td> <td>2500 ↑</td> <td>2063</td> <td>2445 ↑</td> <td>2545 ↑</td> </tr> </tbody> </table> <p><i>Note: Last Updated on 26 July 2024. Forecasts (FC) are based on OCBC estimates. Price arrows are compared to previous period, i.e., 4Q24 (end-period) of USD2445/oz where ↑, ↓, and →, suggest higher, lower, and flat price from previous period, respectively. 2023 is the closing price for the last trading day of the year. Source: Bloomberg, OCBC.</i></p>	USD/oz	25 July Close	FC 3Q24	FC 4Q24	FC 1Q25	FC 2Q25	2023	FC 2024	FC 2025	Gold	2365	2415 ↑	2445 ↑	2475 ↑	2500 ↑	2063	2445 ↑	2545 ↑	 
USD/oz	25 July Close	FC 3Q24	FC 4Q24	FC 1Q25	FC 2Q25	2023	FC 2024	FC 2025												
Gold	2365	2415 ↑	2445 ↑	2475 ↑	2500 ↑	2063	2445 ↑	2545 ↑												



	Level (as of 26 July 24)	Δ 1W (%)	Δ 1M (%)	Δ YTD (%)	Bloomberg Ticker
Gold (USD/oz)	2371.4	-1.2	3.2	15.0	<i>XAU Curncy</i>
Silver (USD/oz)	27.8	-4.8	-3.3	16.9	<i>XAG Curncy</i>
US Dollar Index	104.3	-0.1	-1.7	2.9	<i>DXY Curncy</i>
Brent (USD/bbl)	82.5	-0.2	-3.3	7.0	<i>CO1 Comdty</i>
WTI (USD/bbl)	78.3	-2.2	-3.2	9.4	<i>CL1 Comdty</i>
Natural Gas (USD/MMBtu)	2.1	-3.3	-21.7	-18.2	<i>NG1 Comdty</i>
Palm Oil (MYR/mt)	4046.0	0.8	3.1	10.5	<i>KO1 Comdty</i>
Soybean Oil (USD/lb)	45.8	-1.5	5.5	-4.2	<i>BO1 Comdty</i>
Rapeseed Oil (EUR/mt)	472.5	-3.0	2.7	7.9	<i>IJ1 Comdty</i>
Copper (USD/lb)	411.3	-2.5	-5.9	5.7	<i>HG1 Comdty</i>
Nickel (USD/mt)	15572.6	-4.1	-8.3	-5.2	<i>LN1 Comdty</i>
Aluminium (USD/mt)	2229.1	-5.1	-9.3	-5.2	<i>LA1 Comdty</i>
Coal (USD/mt)	134.8	-0.2	0.5	-8.0	<i>XW1 Comdty</i>
Dry Baltic Index	1834.0	-4.1	-6.6	-12.4	<i>BDIY Index</i>

Source: Bloomberg.

Last Updated: 26 July 2024

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