

Monthly Commodity Outlook

27 September 2024

Commodity Views

Month in Review:

Commodity prices traded higher in recent weeks, with 20 out of 31 commodities on our tracking list performing strongly. However, there have been pockets of weakness observed in the *Energy* market.

Gold prices have risen and reached a fresh all-time high of USD2685/oz on 26 September. This increase can be attributed to rising geopolitical tensions in the Middle East, along with the Federal Reserve's larger-than-expected 50bp rate cut, which boosted the appeal of gold. We also anticipate further support for commodities in the *Metals and Minerals* complex as major central banks continue to ease monetary policies. This easing should lead to an improvement in global industrial activity and an increase in the demand for metals. Importantly, there is growing optimism after the People's Bank of China (PBoC) and key regulators announced more than 10 measures to support economic activity in China (see our report: *Reversing the Downward Spiral*, 24 September 2024). In the *Agriculture* sector, most prices have strengthened, except for soybeans, which have weakened due to robust supply. Soy oil has underperformed, contracting year-to-date by ~8%. On the other hand, gains have been observed in palm oil (+14.5%) and rapeseed oil (+9.6%). As a result, palm oil is now trading at a rare premium over soybean oil. Meanwhile, crude oil benchmarks have traded lower. We anticipate the bearish sentiment in the oil market to persist following market news that Saudi Arabia is preparing to increase output to regain market share.

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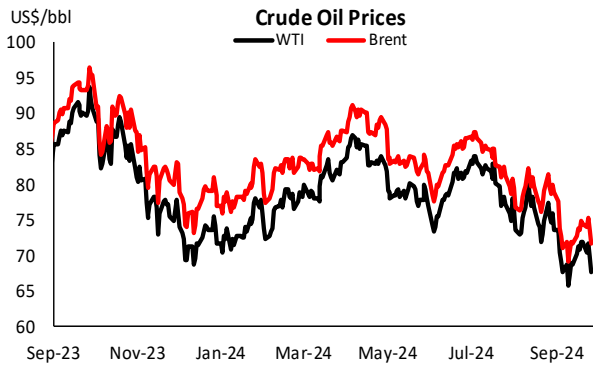


Summary Views

Commodity	Latest Developments and Outlook	Charts						
<p>Oil</p>	<p>Despite the delay in OPEC+ planned output increases, sentiment in the oil market remains weak. Year-to-date (as of 24 September), crude oil benchmarks have erased all of their price gains, with WTI and Brent declining by 0.1% and 2.4% respectively, and closing at USD71.6/bbl and USD75.2/bbl. Concerns about a weak demand outlook continue to weigh on the complex, particularly due to persistent slowdown in the Chinese economy and soft US labour market data.</p> <p>Nevertheless, oil prices have found some support due to several lingering supply risks for oil markets. Supply disruptions from Hurricane Francine, slumping Libyan oil exports, and escalating Middle East tensions have supported this upward momentum. In the Middle East, Israel has entered a new phase of its operations, with military operations extended to Lebanon. Looking ahead, we believe oil prices have reached an inflection point and should gradually increase due to supply and production constraints, tightness in global oil inventories, renewed geopolitical tensions in the Middle East.</p> <p>Meanwhile, we revised our 2024 WTI and Brent oil price forecasts lower. The downward revision was due to our assumption made in our previous forecasts. We previously assumed a full rollover of supply cuts into 4Q24. However, this was only partially delivered by OPEC+ at its virtual meeting on 5 September. We now expect Brent crude to average at USD81.3/bbl in 4Q24, compared to ~USD79/bbl in 3Q24. This would result in a full-year average to USD82/bbl. We do not anticipate any prolonged price spikes due to spare crude oil capacity within the OPEC+ group, as the deployment of this capacity will prevent such spikes. For 2025, we expect oil prices to ease further. The balance of risks is skewed towards the downside due to the anticipated buildup in global oil inventories in 2025, in our view. This is expected to weigh on oil prices, with Brent crude averaging at USD79/bbl.</p>	<div data-bbox="970 376 1528 694"> <p>China Purchasing Managers Index</p> <p>Source: NBS, Caixin, S&P Global PMI, Bloomberg, OCBC</p> </div> <div data-bbox="970 739 1528 1057"> <p>China Activity</p> <p>Source: NBS, Bloomberg, OCBC</p> </div> <div data-bbox="970 1102 1528 1420"> <p>WTI and Brent Timespreads</p> <p>Source: Bloomberg, OCBC</p> </div>						
<p>Price forecast:</p>								
USD/bbl	26 September Close	FC 4Q24	FC 1Q25	FC 2Q25	FC 3Q25	2023	FC 2024	FC 2025
WTI	67.7	78.0 ↑	74.6 ↓	76.0 ↑	75.0 ↓	77.6	78 →	75 ↓
Brent	71.6	81.3 ↑	78.0 ↓	80.0 ↑	78.6 ↓	82.2	82 →	79 ↓
<p>Note: Last updated on 27 September 2024. Forecasts (FC) are based on OCBC estimates. Price arrows are compared to previous period, i.e., 1Q25 average of USD78.0/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>								

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<p>Palm Oil</p> <p>The benchmark CPO price averaged MYR3,980/mt quarter-to-date, easing from MYR4,031/mt in 2Q24, and is largely in line with our forecast of MYR3,900/mt for this quarter. Price fluctuations in 3Q24 were still notable, ranging between MYR3,800-4,235/MT, but the spread was smaller compared to the previous two quarters (+MYR700), suggesting more balanced demand and supply conditions and a more stable price expectation. We maintain our forecast for prices to average MYR3,950/MT in FY2024, implying flattish price directions in the coming months. That said, recent concerns surrounding muted supply prospects from Indonesia alongside a seasonally higher demand from India may pose an upside risk to our forecast.</p> <p>Indeed, the Indonesian Palm Oil Association (GAPKI) cautioned that Indonesia's palm oil production is likely to drop by 1mn tonnes to 53.8mn tonnes in 2024 due to the prolonged impact of El Nino and the lack of productivity improvements or area expansion. Indeed, year-to-August palm oil production fell 6.0% YoY to 30.2mn tonnes. To that end, we see a growing risk for Indonesia's CPO production to fall below 50mn tonnes in 2024. Meanwhile the supply outlook from Malaysia is more positive. CPO production rose by 8.0% YoY to 1.9mn tonnes in August, bringing the year-to-August production to 12.6mn tonnes, a 10.2% YoY increase. Looking ahead, we expect CPO production to exceed 2023 levels, thanks to improved labour availability, good soil moisture, and increased use of fertilizer.</p> <p>On the demand side, near-term demand is anticipated to remain strong, particularly with shipments to India expected to increase in anticipation of various festivals towards the year-end, including Diwali in October. However, it is worth noting that the continued strength of the ringgit may limit the upside risk. Furthermore, Indonesia's decision to lower the CPO levy, effective from 22 September, to boost shipments, may face limitations due to India's higher import taxes on edible oils effective earlier this month.</p> <p>In 2025, we expect the CPO price to continue its downward trend. However, this will be subject to several key factors, including the EUDR implementation. There has been a growing call for EUDR delay, including by German Chancellor Olaf Scholz on 12 September, who has requested the EU to suspend the implementation of the EUDR. However, the weakness may be offset by higher demand from biofuels, with Indonesia planning for the widespread use of the B40 biodiesel in 2025.</p>	<p>Soybean Oil - Palm Oil Spread</p> <p>Source: Bloomberg, OCBC.</p> <p>Malaysia CPO Production</p> <p>Source: Malaysian Palm Oil Board, CEIC, OCBC.</p> <p>Indonesia CPO Production</p> <p>Source: Indonesia Palm Oil Association, CEIC, OCBC.</p>	<p>Price forecast:</p> <table border="1" data-bbox="236 1839 1528 1939"> <thead> <tr> <th>MYR/mt</th> <th>26 September Close</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>FC 2Q25</th> <th>FC 3Q25</th> <th>2023</th> <th>FC 2024</th> <th>FC 2025*</th> </tr> </thead> <tbody> <tr> <td>Malaysia CPO</td> <td>4,235</td> <td>3,850 ↓</td> <td>3,850 →</td> <td>3,850 →</td> <td>3,800 →</td> <td>3,812</td> <td>3,950 ↑</td> <td>3,825 ↓</td> </tr> </tbody> </table> <p><i>Note: Last updated on 27 September 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., 4Q24 average of MYR3,850/mt where ↑, ↓, and →, suggest higher, lower, and flat price from previous period. 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	26 September Close	FC 4Q24	FC 1Q25	FC 2Q25	FC 3Q25	2023	FC 2024	FC 2025*	Malaysia CPO	4,235	3,850 ↓	3,850 →	3,850 →	3,800 →	3,812	3,950 ↑	3,825 ↓
MYR/mt	26 September Close	FC 4Q24	FC 1Q25	FC 2Q25	FC 3Q25	2023	FC 2024	FC 2025*												
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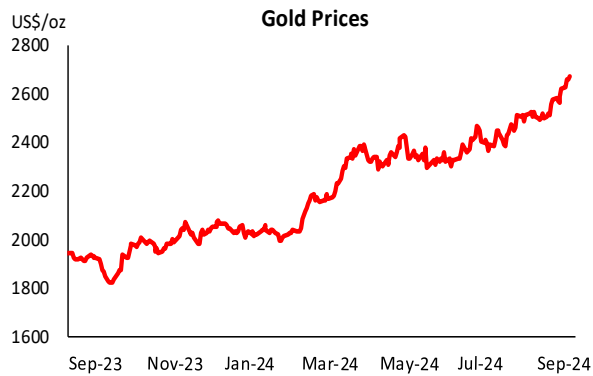
Commodity	Latest Developments and Outlook	Charts						
<p>Gold</p>	<p>Prices of gold continued to rise to fresh all-time high. Fed becomes the latest to join the rate cut bandwagon with larger than expected 50bp cut and signaling that it is frontloading rate cuts before pacing out for 2025. Markets took heed and are pricing in about 75bp more cut for the remainder of the year and over 100bps cut for next year. Falling nominal rates, real yields can boost the appeal of gold. Another factor is also the recent flare-up in geopolitics between Israel- Hezbollah.</p> <p>The bullish momentum with gold is undeniable and at this levels, we are already in uncharted territory. Bullish trend remains intact in the medium term but in the short term, the parabolic move may look abit extended. Net long gold position is at 4-year high while some technical indicators, including RSI are already flagging overbought signals. Near term moderation in the pace of gain maybe likely but medium-term trajectory is still up.</p>							
<p>Price forecast (End-period):</p>								
USD/oz	26 September Close	FC 4Q24	FC 1Q25	FC 2Q25	FC 3Q25	2023	FC 2024	FC 2025
Gold	2672	2650 ↑	2680	2710	2730	2063	2650 ↑	2750
<p>Note: Last Updated on 27 September 2024. Forecasts (FC) are based on OCBC estimates. Price arrows are compared to previous period, i.e., 4Q24 (end-period) of USD2495/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.</p>								



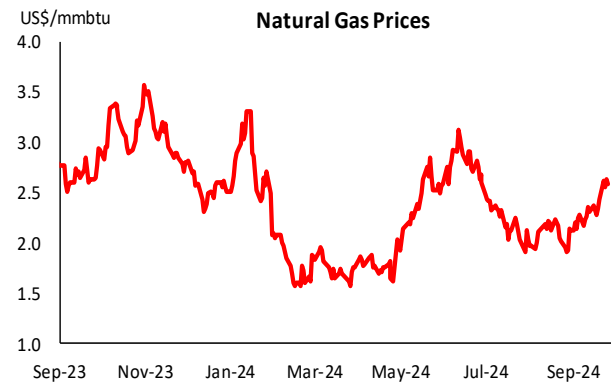
Source: Bloomberg.



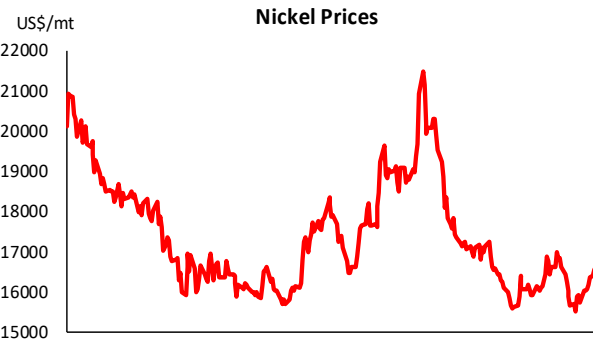
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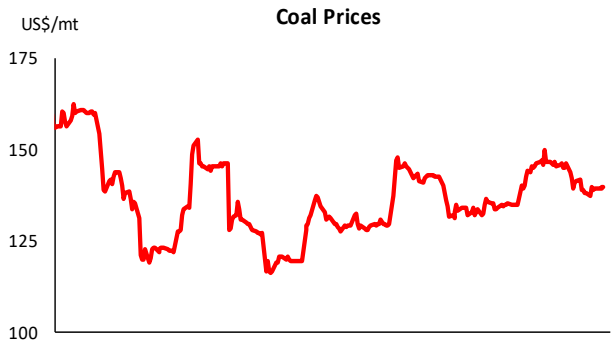
Source: Bloomberg.



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	Level (as of 27 Sep 24)	Δ 1W (%)	Δ 1M (%)	Δ YTD (%)	Bloomberg Ticker
Gold (USD/oz)	2667.2	1.7	5.6	29.3	<i>XAU Curncy</i>
Silver (USD/oz)	31.8	1.9	6.0	33.5	<i>XAG Curncy</i>
US Dollar Index	100.7	0.0	0.2	-0.6	<i>DXY Curncy</i>
Brent (USD/bbl)	71.2	-4.4	-10.4	-7.5	<i>CO1 Comdty</i>
WTI (USD/bbl)	67.3	-6.4	-10.9	-6.1	<i>CL1 Comdty</i>
Natural Gas (USD/MMBtu)	2.7	11.9	43.0	8.3	<i>NG1 Comdty</i>
Palm Oil (MYR/mt)	4251.0	5.6	6.1	16.1	<i>KO1 Comdty</i>
Soybean Oil (USD/lb)	42.6	1.0	3.5	-11.0	<i>BO1 Comdty</i>
Rapeseed Oil (EUR/mt)	475.0	2.3	3.3	8.4	<i>IJ1 Comdty</i>
Copper (USD/lb)	464.4	8.5	9.6	19.4	<i>HG1 Comdty</i>
Nickel (USD/mt)	16549.6	2.3	-0.3	0.7	<i>LN1 Comdty</i>
Aluminium (USD/mt)	2608.7	2.5	2.6	10.9	<i>LA1 Comdty</i>
Coal (USD/mt)	139.6	0.1	-4.2	-4.6	<i>XW1 Comdty</i>
Dry Baltic Index	2091.0	5.8	21.5	-0.1	<i>BDIY Index</i>

Source: Bloomberg.

Last Updated: 27 September 2024

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