

## Commodity Flash

### Overview

This morning, modest upward pressures prevail across commodity markets favored by expectations that a first U.S. interest rate cut could take place in June.

### Energy

■ Today, crude prices are holding last week's gains. The first month Brent future contract is trading near 84 USD and the first month WTI future contract trading near 80 USD. As expected, OPEC+ extended its oil supply cuts by one more quarter, until the end of June. The additional voluntary cuts of 2.2 mb/d are "aimed at supporting the stability and balance of oil markets", as stressed in the official statement, and "will be returned gradually subject to market conditions". As in 1Q24, Saudi Arabia bears the heaviest burden, pledging to cut by 1 mb/d. Few other members will share the remaining burden: Iraq (-0.220 mb/d), United Arab Emirates (-0.163 mb/d), Kuwait (-0.135 mb/d), Kazakhstan (-0.082 mb/d), Algeria (-0.051 mb/d) and Oman (-0.042 mb/d). Russia pledged to cut by 0.471 mb/d in 2Q24, but with shifting percentages of crude production and products exports: in April cuts will be 350 thousand barrels per day from production and 121 thousand barrels per day from exports; in May 400 thousand barrels per day from production and 71 thousand barrels per day from exports; in June 471 thousand barrels per day totally from production. [https://www.opec.org/opec\\_web/en/press\\_room/7305.htm](https://www.opec.org/opec_web/en/press_room/7305.htm) In our opinion, such output profile in Russia could contribute to support refining margins and products' prices in Europe in 2Q24.

■ In Europe, natural gas prices are volatile, but not far from last week's closing levels. The TTF first month is trading near 25 EUR/MWh. The TTF day ahead future is also trading near 25 EUR/MWh. The TTF Cal-2025 is trading near 30 EUR/MWh. LNG prices are edging higher in Europe, lower in Asia. ICE Northwest Europe's LNG futures are trading near 7.7 USD/MMBtu. Asian JKM LNG futures are trading near 8.3 USD/MMBtu. EUA futures are declining after a rebound last week. EUA Dec. 24 future are now trading near 54 EUR/ton, down from a 58.9 EUR/ton peak last week, but above the 51.08 EUR/ton low recorded on February 23rd. In the U.S., Henry Hub natural gas first month futures are stable near 1.9 USD/MMBtu.

■ According to data from Gas Infrastructure Europe (GIE), gas storage levels are at the highest levels ever recorded for this time of the year: European gas storages were 62.1% full as at March 3rd, above the previous 2020 record of 59.1%, and well above the 5-years seasonal average of 37.8% full and the levels recorded in the past two years (58.9% full in 2023 and 27.6% full in 2022). However, these official data don't describe the full picture. In fact, not only an exceptionally mild winter and a structural decline in gas usages have limited the erosion of European gas inventories, but lower summer prices relative to the winter contract have boosted demand for gas floating storage and use of Ukraine storage. According to state-run oil and gas firm NJSC Naftogaz Ukrainy, Ukraine is offering European traders to book as much as 10 billion cubic meters of its natural gas storage capacity this year, about a third of the nation's total capacity.

### Metals news

■ This morning, industrial metals are mixed as a wait-and-see mood prevails because of uncertainty about the possible announcement of more economic stimuli during the National People's Congress held this week in Beijing. The congress should set the new growth target for 2024 and could suggest a GDP growth near 5% this year.

■ Gold is holding Friday's gains, now trading close to 2,085 USD/oz, close to Friday peak of 2,088 USD/oz, the most since December, driven by weaker than expected U.S. economic data, which fueled expectations that the Federal Reserve will cut in June. Currently, the market is

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pricing in a two-thirds probability for a first cut to take place in June, up from 58% at the end of February. Gold is exhibiting an asymmetric behavior, as it reacts very positively when expectations about rate cuts intensify, while it records limited declines when concerns emerge about the Fed possibly delaying the first reductions in policy rates.

## Appendix

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This document has been prepared in accordance with the following method.

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### Forecasts in the Energy Sector

Comments on the Energy Sector are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Refinitiv-Datastream. Unless otherwise stated, consensus estimates come from the leading international energy Agencies, primarily the IEA (International Energy Agency – which deals with this sector on a global scale), the EIA (Energy Information Administration – an institute that deals specifically with the US energy sector) and OPEC. Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

### Forecasts in the Metals Sector

Comments on the Metals Sector are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Refinitiv-Datastream.

Unless otherwise specified consensus estimates on precious metals come mainly from GFMS, the long-established forecasting agency based in London. The forecasts cover gold, silver, platinum and palladium. Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

Unless otherwise stated, consensus estimates for industrial metals come mainly from Brook Hunt, an independent forecasting agency which has prepared statistics and predictions on metals and minerals since 1975, and from the World Bureau of Metal Statistics (WBMS), an independent research body on the global market of industrial metals which publishes a series of monthly, quarterly and annual statistical analyses. Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

### Forecasts in the Agricultural Sector

Comments on the Agricultural Sector are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Refinitiv-Datastream.

There are several consensus estimates on agricultural products. Each individual country has its own internal statistics agency that estimates and forecasts crops, production capacity, the product supply quantities and, above all, the amount of land available for cultivating a particular product, in both absolute and percentage terms.

At an international level, the main agencies are: the USDA (United States Department of Agriculture) which, in addition to providing data on the US territory, also deals in general with the grain industry worldwide through the FAS (Foreign Agricultural Service); the Economist Intelligence Unit of the Economist Group which deals with all agricultural products on a global scale; and CONAB (Companhia Nacional de Abastecimento), the Brazilian Government agency that deals with agriculture (with a particular focus on coffee) and which also provides some insight into the entire South America.

Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

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### Recommendations

**Negative Outlook:** a Negative Outlook recommendation for a sector is a wide-ranging indication. It not only indicates deteriorating price conditions of the indices or futures that best represent the commodity in question (thus the reduction of a price performance), but it also implies the deterioration in the forecasts on production, weather and input supplies (like water or energy) that characterize these sectors more than other financial instruments.

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