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COMMODITIES DAILY

The Commodities Feed: Australian LNG strike risks ease

We are likely to see further downward pressure in natural gas prices today with Woodside and unions reaching an in-principle agreement. This means that strike action may be avoided at the North West Shelf. Unions will meet today to discuss Woodside's 'strong' offer



Energy - Unions reach in-principle agreement

European natural gas prices came under pressure yesterday. TTF prices settled more than 14% lower on the day as the market awaited news on the outcome of talks between Woodside and unions. This morning, both Woodside and unions have said that they have reached an in-principle agreement. The Offshore Alliance will meet today in order to discuss Woodside's offer, an offer which they have said is 'strong'. Obviously, we will need to see what the unions finally decide at their meeting today, but all indications at the moment look promising that strike action at the North West Shelf will be avoided. This suggests that we could see a further sell-off in European gas and Asian LNG prices today. However, even if a deal is made with Woodside, talks with Chevron are still ongoing, where there is 24.5mtpa of capacity at risk.

The oil market saw some further weakness yesterday. There has been increased noise in recent days about possible supply increases from Iran and Iraq. We can now also add

Venezuela to the list, with reports that the US administration is in talks with Venezuela about easing sanctions in return for fairer elections next year.

EIA data released yesterday show that US commercial crude oil inventories fell by 6.13MMbbls last week, to leave total crude oil inventories at less than 434MMbbls - the lowest level this year. Crude oil stocks at Cushing also fell by 3.13MMbbls over the week. Meanwhile, refined product numbers were less constructive with gasoline and distillate inventories increasing by 1.47MMbbls and 945Mbbls respectively. Total product supplied (implied demand) was also weaker over the period, falling 498Mbbls/d WoW.

Metals – Iron ore rallies ahead of China building season

Iron ore witnessed a fifth straight session of gains yesterday with prices reaching intra-day highs of US\$113.9/t (highest in almost a month) on better demand prospects from the Chinese steel industry. Rising speculation that steel mills in China will ramp up production ahead of the seasonal pick-up in construction activity (September-October) is supporting the market. Falling iron ore port inventories in China, which are currently hovering at their lowest levels since the end of August 2020, might also encourage domestic mills to start restocking.

Recent data from the China Iron and Steel Association (CISA) shows that steel inventories at major Chinese steel mills rose to 16.6mt in mid-August, up 3.6% compared to early August. Crude steel production at major mills rose 2.9% from early August to 2.22mt/d in mid-August.

Agriculture – India likely to ban sugar exports

Recent reports suggest that India is likely to ban the export of sugar for the first time in seven years in the upcoming season starting in October, following lower rainfall and weaker yields. If officially announced, this would push global prices higher. Recent statements from government officials highlight concern that there is not enough sugar to allocate for export quotas, as patchy rain will likely weigh on output over 2023/24 and could also see reduced planting for 2024/25. India allowed mills to export 6.1mt of sugar over the current 2022/23 season, after letting them export a record 11.1mt in 2021/22.

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