

The Commodities Feed: Azeri flows still disrupted

Azeri crude oil exports via Turkey are still halted following this week's earthquake and we may have to wait a while longer for these to resume. Meanwhile, the LME published its first report breaking down exchange inventories by country of origin. The data shows a large increase in the proportion of Russian metal in LME warehouses



Energy- Azerbaijan crude flows still halted

The oil market continues to trade in a fairly rangebound manner. ICE Brent has traded for much of the year in a tight \$80-90/bbl range. There has been little in the way of fresh catalysts to push the market out of this range, whilst there is also still plenty of uncertainty over Chinese demand and Russian supply.

There are reports that exports of Azeri crude oil via the Ceyhan export terminal in Turkey are still halted and might only resume late next week. This is apparently due to damage to the control room at the port, following the recent earthquake. Exports of Azeri crude through the port are usually in the region of 600Mbbbls/d, whilst Iraqi flows are more than 400Mbbbls/d.

The latest data from Insights Global shows that gasoil inventories in the ARA region continue to grow. Over the last week, gasoil stocks increased by 169kt to leave them at 2.49mt. This takes inventories in the region back above the 5-year average and helps to explain why we have seen a

lot of weakness in middle distillate cracks recently. We had been seeing increased Russian middle distillate flows into the EU ahead of the ban on Russian refined products, which came into force on 5 February.

US natural gas prices rallied yesterday by 1.4%, and this strength has continued in early morning trading today. This follows a larger-than-expected drawdown in US natural gas storage. EIA data show that natural gas storage fell by 217Bcf, compared to market expectations of around 200Bcf. It was also larger than the 5-year average draw of 171Bcf seen for this time of year. However, given the milder weather seen over parts of this winter, total US gas storage is still 5.2% above the 5-year average. Further progress with the restart of the Freeport LNG plant also appears to have offered some support to US natural gas prices. There are reports that Freeport could resume some shipments as soon as 11 February, however, further approvals are still needed for a full restart.

Metals – Growing share of Russian metal in LME warehouses

Most base metals edged higher yesterday amid optimism over China's economic recovery and declining exchange inventories. A weakening US dollar added a further boost to the metals complex. Copper prices rose more than 1%, while the gains for aluminium were more limited as the market gauges the impact of a large delivery of the metal into exchange warehouses on Wednesday.

The LME published its first report breaking down inventories in their warehouses by country of origin. Unsurprisingly, given the self-sanctioning that we have seen when it comes to Russian metals, the proportion of Russian metal in LME warehouses has increased significantly. As of 31 January, Russian copper made up 94.2% of total LME copper inventories. This is up from 63% in early October 2022, and just shy of a historical high of 95% seen in September 2021. For nickel, Russian material made up 15.8% of total inventories, up from 1.4% in early October, but still well below the highs of 64.8% seen in January 2013. Finally, Russian aluminium accounted for 40.6% of total LME aluminium inventories, up from 14.9% in early October, but still some distance from the highs of 73.7% seen back in November 2014. However, given the increase in aluminium inventories this week, it is likely that the proportion of Russian material is currently higher than the report suggests. There have been concerns that LME warehouses could be used as a dumping ground for unwanted Russian metals, leading to a disconnect between LME and actual traded prices.

Agriculture – Indian wheat export ban

The latest reports suggest that the Indian government is considering extending its wheat export ban to increase reserves and lower domestic prices. Officials are apparently not in favour of resuming wheat exports until mid-2024 and are likely to announce a decision by the end of next month or early April.

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