

The Commodities Feed: Brent rebounds

The oil market continues to recover following the weakness seen earlier in the week. US inventory data continues to show large builds, whilst middle distillate inventories in Europe have also edged higher. Next week, energy market participants will converge on London for International Energy Week



Energy - ARA gasoil stocks grow

Having come under pressure earlier in the week, the oil market appears to be bouncing back from near the bottom of its recent trading range. This is despite an EIA inventory report yesterday which showed that US crude oil inventories edged higher last week. Crude oil inventories increased by 7.65MMbbls, the ninth consecutive week of inventory builds. Since mid-December, US commercial crude inventories have increased by around 61MMbbls. In addition, crude stocks at Cushing grew by 700MMbbls over the week, which takes inventories at the WTI delivery hub above 40MMbbls and to their highest levels since June 2021. For refined products, gasoline inventories fell by 1.86MMbbls over the week, whilst distillate fuel stocks increased by 2.7MMbbls.

In Europe, and specifically in the ARA region, gasoil stocks continue to grow. The latest data from Insights Global shows that gasoil inventories in the region increased by 47kt over the week, to 2.58mt. This is the highest level stocks have been since February 2021, following strong inflows of gasoil in the lead up to the EU ban on Russian refined products. In Singapore middle distillate

stocks increased by 526Mbbbls over the last week to 8.21MMbbbls. Middle distillate stocks in Singapore are still some distance below the 5-year average despite stronger refined product exports seen from China in recent months.

In the US natural gas market, Henry Hub settled more than 6% higher yesterday, following EIA storage data which saw US gas inventories fall by 71Bcf over the last week, which was more than the market was expecting. After the milder weather seen over much of the US winter, storage is still comfortable, with it more than 15% above the 5-year average.

Metals – Panama copper issues

First Quantum said it has been forced to stop processing copper at its Cobre Panama mine after it was blocked by the government from loading the metal at a port in the country. This follows failed negotiations between the miner and the government to reach a tax agreement late last year. The mine accounts for 1.5% of the world's copper production.

Data from the International Lead and Zinc Study Group shows that the global zinc market remained in a supply deficit of 306kt in 2022, compared to a deficit of 204kt a year earlier. Total refined production fell 4.1% YoY to 13.3mt due to lower output in Europe, while total consumption declined 3.3% YoY to 13.6mt last year. As for lead, total production reported a marginal decline of 0.7% YoY to 12.3mt, while consumption rose slightly by 0.5% to 12.4mt last year. The lead market reported a supply deficit of 99kt in 2022, compared to a surplus of 44kt in the preceding year.

The LME said it plans to restart nickel trading in Asian hours from 20 March. The exchange suspended nickel trading in March last year and cancelled billions of dollars' worth of nickel trades following a short squeeze, when fears of sanctions on Norilsk Nickel coincided with a large short bet by the world's largest stainless steel producer, Tsingshan. This caused prices to more than double in a matter of days. LME volumes have declined since then as many traders have reduced activity or cut their exposure due to a loss of confidence in the LME and its nickel contract after its handling of the March short squeeze. These low levels of liquidity have left nickel exposed to sharp price swings – even amid small shifts in supply and demand balances.

Agriculture – USDA expects larger 2023/24 crops

In the USDA's first outlook for the 2023/24 season, which coincides with the ongoing Agricultural Outlook Forum, the agency expects looser US balances in the upcoming season on the back of higher acreage. US corn output is forecast to grow by 9.9% YoY to 15,085m bushels, which leaves estimated ending stocks for the 2023/24 season at 1,887m bushels, compared to 1,267m bushels in the 2022/23 season. Similarly for wheat, output is expected to total 1,887m bushels in 2023/24, up from 1,650m bushels in the current marketing year. As a result, 2023/24 wheat ending stocks are expected to total 608m bushels, compared to 568m bushels in 2022/23. For US soybeans, 2023/24 output is forecast to grow 5.5% YoY to 4,510m bushels. This should see 2023/24 ending stocks of 290m bushels, up from 225m bushels in the current marketing year.

The latest data from Uganda Coffee Development Authority shows that the nation shipped 492,226 bags of coffee in January, up 18% MoM as exporters unloaded stockpiles sighting high global prices. Robusta accounted for 83% of the total exports. Coffee exports for the season rose 6.9% YoY to 1.82m bags through until January.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

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