

The Commodities Feed: Carbon strength

European carbon allowances hit a record high yesterday on the back of expectations of stronger demand. The oil market sold off, with a growing view that the US Fed's hiking cycle still has some way to go



We think EUA prices are likely to remain subdued in the short term

Energy - EU carbon breaks EUR100/t

Oil prices came under further pressure yesterday, as part of a broader risk-off move. Markets continue to come to terms with expectations of a more hawkish Fed, following a raft of economic data suggesting the Fed still has quite a bit of work to do. These headwinds, combined with a fairly comfortable oil balance, mean that the oil market will likely remain rangebound. However, we see the market breaking out of this range later in the year as the oil market significantly tightens.

Crude oil loadings at the CPC terminal on the Black Sea Coast have reportedly been halted since 19 February due to bad weather, and this suspension still appears to be in place. The longer the halt more likely that we see storage at the terminal full up, which would have an impact on Kazakh flows along the pipeline and ultimately output. The CPC terminal has a capacity in the region of 1.6MMbbls/d.

European carbon prices continued their positive run yesterday and rose to a record high of above €100/t following expectations of a tighter market outlook. EU emission prices have increased by around 20% so far this year, after the EU agreed to tighten the rules regarding carbon credit allowances late last year. More recently, the easing of energy prices in the region has bolstered

sentiment for a demand rebound from the power and industrial sector, which would lead to increased demand for carbon allowances.

Metals - Copper on-warrant stocks decline

The latest LME data shows that total on-warrant stocks for copper saw outflows of 4,800 tonnes to stand at 47,000 tonnes as of yesterday. The outflows were reported from warehouses in Germany and the Netherlands. Cancelled warrants for copper rose by 4,525 tonnes for a second consecutive day to 18,225 tonnes as of yesterday, signalling potential further outflows.

Teck Resources reported that its copper production stood at 65kt in 4Q22, slightly lower than estimates of 66.15kt. Cumulative output totalled 270kt in 2022, a decline of 5.9% YoY. For 2023, the company maintains its copper production guidance of 390kt-445kt. Among other metals, zinc in concentrate production stood at 120kt in 4Q22, while full-year output stood at 553kt (+9.9% YoY). 2023 production guidance was left unchanged at 645-685kt for the year.

Agriculture – India to sell more wheat

The Indian Food ministry reports that the government has asked the state-run Food Corporations to unload another 2mt of wheat in the open market to ease the impact of rising grain and flour prices which hit a record high last month. This will be in addition to the sale of 3mt of grains announced by the government last month in an attempt to lower prices.

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