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COMMODITIES DAILY

The Commodities Feed: Ceasefire hopes weigh on oil

The oil market has come under further pressure with Russia-Ukraine ceasefire talks progressing

Energy- Ceasefire hopes grow

Renewed optimism over a Russia-Ukraine ceasefire weighed on the oil market yesterday. ICE Brent settled a little more than 0.9% lower, leaving it at $60.56/bbl -- the lowest close since May. President Trump has said that an agreement to end the war in Ukraine is closer than ever, after talks in Berlin. Clearly, territory remains a big sticking point.

Oil markets will be watching developments closely, given the significant supply risk from sanctions on Russia. While Russian seaborne oil exports have held up well since the imposition of sanctions on Rosneft and Lukoil, this oil is still struggling to find buyers. The result is a growing volume of Russian oil at sea. India, a key buyer of Russian oil since the Russia/Ukraine war began, will reportedly see imports of Russian crude fall to around 800k b/d this month, down from around 1.9m b/d in November.

The continued weakness in the refined products market may be adding to the broader pressure on oil markets over the last week or so. Refinery margins surged in November amid concerns over the impact of sanctions on refined product flows and persistent Ukrainian drone attacks on Russian refinery assets. These concerns coincide with some refinery outages and the maintenance season. This has been evident in the middle distillate market, with the ICE gasoil crack trading up towards $38/bbl in November on the back of heavy speculative buying. However, speculators have been heavily selling the gasoil market since late November. Ths has seen the crack fall back towards $23/bbl. As of last Tuesday, speculators held a net long of 58,578 lots in ICE gasoil, down from a peak of 102,195 lots as of 25 November.

Agriculture– Cocoa prices decline on strong arrivals

Cocoa sold off aggressively yesterday. The London market settled a little more than 7% lower, pressured by strong cocoa arrivals at the Ivory Coast ports. Recent data shows that total cocoa arrivals at Ivory Coast ports so far this season have edged up to 895.5kt as of 14 December, compared to 894kt during the same time last year. To date, arrivals have lagged behind last year. Meanwhile, the Ivory Coast government permitted its cocoa regulator to purchase about 200kt of beans from farmers amid falling prices. Last week, the council met with several exporters who are at risk of defaulting on forward purchases. Falling global prices are making it more difficult to fulfil contracts set at higher prices.

CBOT wheat prices extended losses for a second consecutive session, with prices falling around 1.6% amid comfortable supply prospects. Earlier, the Rosario Board of Trade estimated wheat production in Argentina would rise to a record of 27.7mt for the 205/26 season, up from a previous estimate of 25.5mtt. This is due to larger-than-expected planted area and a higher yield forecast.

Recent data from the National Federation of Cooperative Sugar Factories Ltd. shows that sugar production in India rose 28% year-on-year to 7.8mt between 1 October and 15 December, up from 6.1mt for the same period last year. Factories crushed 90.1mt of cane over the period compared to 71.8mt crushed a year ago. Meanwhile, around 479 mills were crushing as of 15 December, slightly up from 473 mills last year.

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