

# The Commodities Feed: Complex moves higher

Reports of Russian missiles hitting Poland have provided strength to a number of commodity markets. The uncertainty over how Poland and NATO will react is resulting in a larger risk premium being priced into markets



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## Energy - prices move higher

Oil prices rallied after reports of two Russian missiles hitting Poland, near its border with Ukraine. This latest development will make markets nervous, as they wait for any potential response from Poland and NATO. In addition, Russian oil flows along the southern route of the Druzhba pipeline have been halted after a transformer station, which provides power to a section of the pipeline that runs through Ukraine, was reportedly hit by Russian artillery. The southern route of the Druzhba pipeline provides Russian crude oil to Hungary, Slovakia and the Czech Republic. Flows via the Northern route, which supplies Poland and Germany appear unaffected.

Numbers released by the API overnight were moderately constructive. US crude oil inventories are reported to have fallen by 5.8MMbbls over the last week, compared to expectations of a roughly 1.9MMbbls draw. However, refined products saw inventory builds. Gasoline and distillate fuel oil stocks increased by 1.7MMbbls and 900Mbbls respectively.

The IEA released its latest monthly oil market report yesterday. The agency made some slight revisions higher to its demand growth forecasts for 2022, while cutting growth for 2023. As a result, the IEA now expects global oil demand to grow by 2.1MMbbls/d in 2022 and 1.6MMbbls/d in 2023. IEA numbers also show that total OECD oil stocks in September fell below 4 billion barrels for the first time since 2004. As for Russian oil supply, exports rose by 165Mbbbls/d to 7.7MMbbls/d in October with flows to the EU, China and India holding up well over the month. Meanwhile, the IEA estimates that OPEC+ supply averaged 38.88MMbbls/d in October, 3.22MMbbls/d below target production levels.

## Metals – nickel jumps again on supply concerns

Nickel briefly jumped again by more than 7% at yesterday's open, reaching \$31,000/t, its highest since May amid fresh supply concerns after reports of the Goro mine in New Caledonia slashing output following a tailings-dam leak. Goro, one of the world's largest deposits, is part-owned by Trafigura and backed by Tesla.

China's primary aluminium output rose 9.5% YoY to 3.5mt in October, according to the latest data from the National Bureau of Statistics. However, daily production was lower MoM as smelters in Yunnan province slashed output to combat a drop in hydropower. Cumulative output over the first ten months of the year has risen 3.3% YoY to 33.3mt. China's crude steel output rose 11% YoY to 79.8mt but fell 8.3% MoM as production at domestic mills remained lower due to the ongoing property crisis and the stringent zero-Covid policy. Cumulatively, crude steel production declined 2.2% YoY to total 860.6mt in the first ten months of the year.

## Agriculture – global sugar output to hit a new record in 2022/23

No.11 sugar rallied more than 2.3% yesterday to settle above US\$20/lb, after reports that some Indian mills are defaulting on export contracts and trying to renegotiate them at higher prices given the recent strength in the global market. For now, it is thought the volumes defaulted on are small.

The International Sugar Organization (ISO) in its latest quarterly update expects the global sugar market balance to move to a supply surplus of 6.2mt in 2022/23 compared to a deficit of 1.7mt in 2021/22. Total sugar output is expected to reach a new record of 182.14mt in 2022/23 with the majority of the gains from Brazil and India. In contrast, the group expects global consumption to decline from 175.9mt last year to 174.3mt in 2022/23.

Weekly data from the European Commission shows that soft wheat shipments from the EU reached 13.4mt as of 13 November, up from 12.2mt for the same period last year. Meanwhile, given lower domestic output, EU corn imports stand at 10.9mt, compared to 4.8mt last year.

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