

The Commodities Feed: Debt ceiling deal helps to improve sentiment

The approval of the debt ceiling deal in the US Congress has helped bolster broader economic sentiment and supported commodity prices. OPEC oil output dropped by around 0.5MMbbls/d in May on production cuts from Saudi Arabia and the UAE



Energy: OPEC output falls

ICE Brent has been trading in positive territory today as broader sentiment has improved somewhat after the US Senate approved a debt ceiling deal. The deal has already been passed in the House of Representatives. Softer production numbers from OPEC have also supported crude oil prices although the market remains cautious about the OPEC+ meeting over the weekend.

Preliminary OPEC production numbers for May are starting to come through and it is no surprise that the group reduced output over the month as some members implemented voluntary production cuts. According to a Bloomberg survey, OPEC output declined by 0.5MMbbls/d month-on-month to 28.26MMbbls/d last month. Saudi Arabia led the decline with production falling by 510Mbbls/d to 9.96MMbbls/d while the UAE also trimmed output by 190Mbbls/d to 2.99MMbbls/d. The output cuts were partially offset by recovering production in Nigeria (+180Mbbls/d), Iraq

(+60Mbbls/d) and Angola (+60Mbbls/d).

The EIA weekly oil report was somewhat bearish for oil prices. US commercial crude oil inventories increased by 4.5MMbbls over the week as crude oil imports increased by 1.4MMbbls/d to 7.2MMbbls/d for the week. The market was anticipating a drawdown of around 1.3MMbbls while API reported a build of 5.2MMbbls. However, when factoring in the SPR releases, total US crude oil inventories increased by around 2MMbbls only. Total US commercial crude oil stocks now stand at 459.7MMbbls, still 2% below the five-year average. As for refined product inventories, gasoline inventories fell by 207Mbbls, against a forecast for a decline of 0.8MMbbls. While distillate stockpiles rose by 985Mbbls last week, compared with expectations for a build of 0.7MMbbls. Refinery utilisation remains high in the US at 93.1% compared to the five-year average of 87.2% at this point in the season.

Metals: LME Aluminium on-warrant stocks decline

LME on-warrant aluminium stockpiles fell by 11,425 tonnes yesterday, the second consecutive decline, with inventories falling to 386,075 tonnes. Net outflows for the month of May totalled 94,175 tonnes when compared to the inflows of 64,850 tonnes a month earlier. Meanwhile, cancelled warrants for aluminium rose by 10,725 tonnes to 192,725 tonnes as of yesterday, signalling potential further outflows. The cash/3m for aluminium stood at a backwardation of US\$31.5/t as of yesterday, after reaching US\$40.5/t (highest since February 2022) a day earlier. The spread was trading at a contango of US\$35.5/t at the start of the year.

As per the latest reports, Harita Nickel mine in Indonesia has started operations to produce nickel sulphate in the North Maluku province. Harita Nickel is the first company in Southeast Asia to process low-grade nickel ore into battery-grade metal used in electric vehicles and can produce 240ktpa. Meanwhile, the first overseas shipment from the site is targeted to start later this month.

Agriculture: Ukraine grain output under pressure

Ukraine's Grain Association estimates the 2023 domestic wheat harvest to fall 11% year-on-year to 17.9mt, while the corn crop is projected to fall 14.6% YoY to 19.9mt. Meanwhile, Ukraine's Agriculture Ministry reported that the spring wheat sowing in the nation fell 38% YoY while for corn it fell 16% YoY as of 26 May. Ukraine has been facing challenges in maintaining production levels and grain handling infrastructure due to the ongoing war with Russia, which has entered its sixteenth month. Meanwhile, the Joint Coordination Centre reported that Ukraine's Black Sea exports increased to 222.4kt for the week ending 28 May, an 88% increase compared to the previous week's exports of 118.3 kt. This surge in exports can be attributed to the recent extension of the grain deal initiative in May, which led to an increase in shipping activity.

In its weekly report, the Buenos Aires Grain Exchange said that the wheat plantings in Argentina are lagging by 7.6% compared to the same stage last season, as an intense drought has left the planting area too dry for sowing. Meanwhile, the exchange left the soybean and corn production estimates unchanged from the previous week's projections.

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