

## The Commodities Feed: European gas security concern grows

European gas prices rallied yesterday as sabotage is suspected to be behind a pipeline leak. The incident raises concern over the vulnerability of European pipeline infrastructure



### Energy - European energy security concern grows

The European gas market saw significant strength yesterday. TTF rallied more than 12.5% coming close to EUR50/MWh - a level last seen back in April. The catalyst for the move was the Finnish government announcing that it is treating a leak detected along the Balticconnector gas pipeline over the weekend as a deliberate act of sabotage. The pipeline has an annual capacity of around 2.6 bcm and runs between Finland and Estonia. It is expected that the pipeline could take months to repair.

While this gas pipeline is not important for the wider European gas market, if it turns out that the leak is due to deliberate sabotage, it obviously raises significant concern for European energy security and highlights the potential vulnerability of other European pipeline infrastructure, particularly as we head into the winter months.

Oil prices held relatively steady yesterday as the market continued to digest developments in Israel. If the conflict is contained to Israel and Hamas we would expect the current risk premium to

slowly erode. However, there is still a risk that this escalates, particularly if there is any Iranian involvement. Under this scenario, stronger enforcement of US sanctions on Iranian oil would tighten up the oil market through 2024.

## Metals - Russian share of LME aluminium stocks fall

Base metals came under pressure yesterday amid renewed fears over China's property market after Country Garden, a major developer, warned that it might not be able to meet repayments on offshore debt. Prices dropped despite reports of fresh stimulus with Chinese policymakers reportedly weighing the issuance of at least 1 trillion yuan of extra sovereign debt for spending on infrastructure. A slump in China's property market has been a major headwind for metals demand this year.

Russian aluminium accounted for 76% of live metal inventories on the LME in September, down (for the first time since April) from 81% in August, the latest data from the LME showed.

China's refined copper market balance will remain in a surplus of about 340kt in 2023 primarily due to weak overseas demand, according to Antaika. The group estimates China's refined copper output to rise 8.1% YoY amid domestic capacity expansion, while refined consumption is estimated to rise 3.45% YoY with EV and renewables power generation driving most of the demand increase this year. The group expects most Chinese base metal markets to end the year in a surplus due to persistent weakness in end-use demand.

Recent data from the China Iron and Steel Association (CISA) shows that steel inventories at major Chinese steel mills fell to 15.2mt in late September, down 3.24% compared to mid-September. Meanwhile, crude steel production at major mills fell 3.2% from mid-September to 2.07mt/d in late September due to weak profit margins, lower steel prices and higher inventories.

## Agriculture – UNICA reports higher cane crush

The latest fortnightly report from UNICA shows that sugar cane crushing in Centre-South Brazil rose to 44.8mt, up 77% year-on-year in the second half of September. The cumulative sugar cane crush for the season increased by 14.2% YoY to 493.1mt. Sugar production rose 98% YoY to 3.4mt in 2H September, with 51% of cane allocated to sugar production in the fortnight, higher than the 45.3% allocated in the same period last year. Cumulative sugar output so far this season stands at 32.6mt, up 24% YoY.

Brazil's agriculture agency, CONAB, expects soybean production to rise 4.8% YoY to a record 162mt for the 2023/24 season. The increase is driven by expectations that yields will rise from 3.51kg/ha in 2022/23 to 3.59kg/ha. However, these production estimates are still slightly below the 164mt the market expects. As for corn, the agency expects production to fall by 9.5% YoY to 119.4mt in 2023/24, as many farmers switch to planting soybeans, which give better returns.

The Association of Indonesian Coffee Exporters and Industries expects domestic coffee production to fall more than 25% YoY to 8.5m-9m bags (60kg bags) in 2023, down from 12m bags reported last year. The decline in the production estimates is largely due to unfavourable weather conditions impacting the crop harvest.

The latest estimates from France's Agriculture Ministry show that the corn harvest is expected to rise due to better-growing conditions and reach 12.1mt for the current season, above the previous

estimate of 11.5mt, and up from 10.9mt reported a year ago. However, it is still 9% below the five-year average. Meanwhile, soft-wheat estimates remain unchanged at 35.1mt, compared to 33.7mt last year.

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