

The Commodities Feed: FOMC day

Price action today will likely be largely dictated by the outcome of the FOMC meeting. It is still unclear whether the Fed will hold rates or hike. Recent developments in the banking sector make it a tough call



Energy: Market awaits FOMC

Oil prices rebounded yesterday with ICE Brent rallying by a little more than 2% as markets took comfort in comments from the US Treasury Secretary, Janet Yellen, that the government would be prepared to take further action to protect depositors in small US banks, although prices have weakened somewhat in early morning trading today.

Overnight, the API reported that US crude oil inventories increased by 3.26MMbbls, whilst on the products side, gasoline and distillates saw draws of 1.09MMbbls and 1.83MMbbls respectively. However, key for markets today will be the FOMC meeting amid continued uncertainty over whether the Fed will hold rates or hike by 25bp.

Russia has said that the previously announced oil supply cuts of 500Mbbbls/d for March will be extended until the end of June given current market conditions. Although, there is doubt over whether Russia has reduced output in March, given that seaborne crude exports have held relatively steady so far this month. Meanwhile, it appears unlikely that the G7 will revise the Russian oil price cap, with reports that some officials are reluctant to take such action. The cap was set to be reviewed in March and some EU countries (Poland) have been pushing for the price cap to

be lowered from the current US\$60/bbl.

There are signs that the European gasoil market is tightening. The prompt ICE gasoil timespread is trading in backwardation of around US\$30/t, up from around US\$15/t at the start of March. This will be largely on the back of lower runs from French refiners. Continued strike action in France is affecting fuel deliveries and causing some refiners to halt or reduce operations. Total has halted its 247Mbbbls/d Normandy refinery, whilst the remainder of Total and Exxon refineries are all operating below capacity.

Metals: China imports of Russian aluminium climb

China has nearly doubled its imports of Russian aluminium in the year since the invasion of Ukraine. Imports of refined aluminium from Russia, the largest aluminium producer after China, climbed 94% to 538,600 tonnes between March 2022 and February 2023 from the previous 12 months, according to Chinese customs data. This has happened as some Western buyers have rejected Russian supplies in their contracts.

LME total on-warrant stocks for copper reported outflows of 5,500 tonnes (the biggest daily decline since 8 December) to 43,500 tonnes as of yesterday. Most of the outflows were reported from warehouses in Europe and Asia. Meanwhile, cancelled warrants for copper rose by 4,975 tonnes for a second consecutive session to 32,900 tonnes as of yesterday, signalling potential further outflows.

Agriculture: Ukraine 2023 grain harvest to fall

Ukraine's Agriculture Ministry expects the 2023 grain harvest to fall by 17% year-on-year to 44.3mt as farmers reduce area, while average yields are also expected to be lower. The ministry estimates that domestic wheat output will fall by 19% YoY to 16.6mt, whilst the corn harvest is expected to fall 15% YoY to 21.7mt.

The latest export data from Ukraine's Agriculture Ministry shows that 2022/23 grain exports stood at 35.8mt as of 21 March, a decline of 20% YoY. Total corn shipments stood at 21mt (+2% YoY), whilst wheat exports fell 34% YoY to 12.3mt.

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