

## The Commodities Feed: Further US SPR releases

The US administration is set to announce further releases from the Strategic Petroleum Reserve today, although this volume is part of the larger 180MMbbls announced earlier in the year. More interesting are suggestions that the US will look to start refilling the SPR at or below US\$67-72/bbl



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### Energy: US SPR release and refill

Oil prices came under pressure yesterday after reports that the US would announce a further release from its Strategic Petroleum Reserve. The latest release is expected to be announced today by President Biden and would be for 15MMbbls. However, it is important to point out that this release would be part of the initial 180MMbbls announced earlier this year and would be the final tranche of that volume. Therefore, given that this release is already factored in, the price impact should be minimal. However, there are reports that the US administration is not ruling out further releases through the winter months. The US administration will find it difficult to compensate for the OPEC+ supply cuts with just SPR releases. In the medium- to longer-term, SPR releases are supportive for the market, given the need for the US to refill. Bloomberg is reporting that the US

administration is also planning to start refilling the SPR when WTI trades at or below US\$67-72/bbl. This should provide another floor to the market, although the key question is whether OPEC+ would allow prices to trade down to these levels or intervene (if needed) to keep prices near current levels.

The latest data from the API shows that US crude oil inventories fell by 1.27MMbbls over the last week, while the market was expecting crude stocks to increase by around 2.5MMbbls. In addition to the crude draw, the API also reported that gasoline and distillate inventories decreased by 2.17MMbbls and 1.09MMbbls, respectively. Overall, these numbers were moderately constructive and appear to be offering some support to the market in early morning trading today. The more widely followed EIA numbers will be released later today.

European natural gas prices continue to come under pressure. The TTF Nov-22 contract fell by a further 11.5% yesterday, leaving the market to trade at a little over EUR113/MWh. The market has fallen by around 40% now since the start of the month. Warmer than usual weather for this time of year and the fact that EU storage continues to fill up (currently 92% full) is easing concerns over prompt tightness in the market. However, prices from Dec-22 through to Apr-23 are trading in excess of EUR140/MWh. The forward curve continues to reflect concerns over expected tightness through 2023.

The European Commission has laid out its latest proposals for the EU energy markets, which for now does not include a gas price cap. Instead, the commission is proposing a dynamic price limit for TTF, which will be temporary and only used as a last resort. In addition, the proposal includes upper and lower daily price limits on energy derivatives to try to address volatility in markets. Furthermore, the commission wants to push the idea of joint gas purchases between member states, in the hope this would give Europe more leverage and prevent EU countries from competing against each other for supply. Finally, given the changing supply dynamics in the European gas market (the EU turning increasingly to LNG), the commission proposes a new LNG benchmark, rather than using TTF which reflects regional infrastructure bottlenecks. These proposals will be discussed by EU leaders who meet later this week.

## Metals: copper inventories in China surge

Copper prices came under pressure yesterday after inventories in Shanghai jumped by a record amount, easing concerns about supply tightness. The Shanghai Futures Exchange's on-warrant stocks of the red metal ready for delivery climbed by 47,024 tonnes on Monday – the biggest daily change in data going back to 2010. As a result, the prompt SHFE timespread eased from its multi-year highs.

Japan's largest smelter, Sumitomo Metals, estimates the global nickel market to be in a deficit of 108kt in 2022 and forecasts a deficit of 63kt for a third consecutive year in 2023 due to rising demand from the batteries sector. The smelter expects global nickel demand to surge by 7.1% YoY to 3.14mt, while supply is expected to rise by 9% year-on-year to 3.08mt next year. The company forecasts demand for nickel used in batteries to surpass 500kt in 2023, compared with 410kt in 2022 and 320kt in 2021.

## Agriculture: wheat declines on constructive grain-export deal talks

CBOT wheat futures dropped to the lowest level in four weeks on the back of hopes of an extension to the Black Sea grain deal, which is currently set to expire next month. The latest comments from the United Nations suggest that ongoing negotiations to renew the existing grain deal were constructive. However, there still appears to be a rush to export as much as possible through the corridor before the existing deal expires. Meanwhile, a backlog of Ukrainian grain vessels awaiting inspection has eased slightly over the weekend. As per the latest data, the backlog of inbound and outbound vessels awaiting checks stood at 131 as of yesterday, compared to 156 on Friday. The latest data shows that, around 7.7mt of grain and other food products have been exported as of 16 October under the deal.

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