

The Commodities Feed: Gasoil cracks strengthen

The oil market is struggling to make further gains now it is in overbought territory. Meanwhile, the gasoil market has firmed with China unlikely to issue further refined product export quotas



Energy - No further China export quotas

The rally in oil ran out of momentum yesterday and Brent struggled to hold onto gains made in the early part of the trading session. There is likely reluctance amongst participants to push too much higher right now with the market clearly in overbought territory. There is also possible nervousness that OPEC+ and specifically Saudi Arabia could start to ease cuts earlier than scheduled if prices move much higher- [something we have highlighted for quite some time now](#).

Gasoil cracks received a boost yesterday with the November ICE gasoil crack rallying from around US\$30/bbl to close to US\$34/bbl. This is after reports that the Chinese government told state refiners that it is unlikely that they will receive any further refined product export quotas this year. The government has issued three batches of export quotas so far this year, totalling 39.99mt, up from the 37.25mt issued over the whole of 2022. There had been some hope that China would release further export quotas, which would help ease the tightness in middle distillate markets.

The latest inventory data from Global Insights shows that refined product inventories in the ARA region increased by 76kt over the last week to 5.29mt. Gasoil saw the largest increase in stocks, growing by 79kt to 1.99mt. However, it is still well below the 5-year average at the moment and

will be a concern as we move closer towards the winter months. In Singapore, the latest data shows that total refined product inventories fell by 1.95MMbbls over the last week to 42.04MMbbls. The draw was largely driven by fuel oil stocks, which fell by 2.08MMbbls to 19.77MMbbls. while light distillates saw a marginal decline of 245Mbbls to 12.89MMbbls.

In the gas market, Henry Hub managed a second day of gains with the market settling almost 1.6% higher yesterday. This is despite US gas storage increasing by 90Bcf over the last week, slightly above the 88Bcf the market was expecting. This leaves total US natural gas storage at 3.36Tcf, up 13.4% YoY and also 6% above the 5-year average. Forecasts for cooler weather appear to be what has driven the market higher.

Metals – Zinc jumps higher

The big mover in metals yesterday was zinc. LME zinc 3m prices settled 5.81% higher. This follows a sharp rise in cancelled warrants at LME warehouses. The latest data shows that cancelled warrants for zinc jumped 15,875 tonnes to 48,150 tonnes yesterday. The increase was driven by warehouses in Singapore. The sudden jump in cancelled warrants might result in declining inventories over the coming days.

Shanghai Futures Exchange (ShFE) inventory data shows that weekly inventories for all base metals (with the exception of nickel) fell over the reporting week. Copper stocks fell by 15,169 tonnes to 38,996 tonnes, aluminium inventories declined 12.3% WoW to 79,194 tonnes- the lowest level since December 2016, while zinc and lead stocks fell over the week by 30.3% and 9%. In contrast, nickel inventories jumped 52.4% to 7,470 tonnes.

In precious metals, gold prices in China fell after the government permitted more gold imports. Rallying gold prices in China in recent months have resulted in a record premium to international prices. The Shanghai gold premium had risen to a record of over US\$120/oz recently but fell to a premium of just US\$10/oz at yesterday's close.

Agriculture – Brazilian coffee harvest advances smoothly

Cooxupe, Brazil's coffee export cooperative, reported that the domestic coffee harvest progressed to 99.2% as of 22 September compared to around 100% at this point in the season last year. Brazil reported that hot weather and irregular rains up to August, and improved weather conditions in September boosted the flowering progress for the coffee crop, especially in the producing regions of Matas de Minas (100% of harvest) and southern Minas Gerais (harvests 99.5%).

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