

## The Commodities Feed: Hawkish Fed pause caps oil

The Fed kept rates unchanged at yesterday's FOMC meeting as widely expected. However, it was still seen as a hawkish pause, which put some pressure on risk assets



### Energy - Cushing crude stocks continue to decline

Higher for longer was the key message from yesterday's FOMC meeting, which has weighed on risk assets, including oil. However, Brent is still trading well above US\$90/bbl and a tightening balance suggests that there is still more upside. How sustainable a move higher would be is another question, [which we covered yesterday](#).

The Pernis refinery in Rotterdam, which is the largest in Europe, was forced to shut a unit at the refinery after a leak was discovered. The refinery was looking to restart the unit last night, however, there is no clarification on whether this occurred. The outage will add to concerns over tightness in the middle distillate market.

The EIA's weekly inventory report showed that US commercial crude oil inventories fell by 2.14MMbbls over the last week, which was less than the 5.25MMbbls draw the API reported the previous day. Lower refinery run rates would have played a role in the smaller-than-expected crude drawdown with utilisation rates falling by 1.8pp over the week. However, crude oil exports

increased by a significant 1.98MMbbls/d WoW to average 5.07MMbbls/d. Crude oil stocks at Cushing declined by 2.06MMbbls over the week, leaving stocks at the WTI delivery hub at their lowest levels since July last year. This should continue to support prompt WTI timespreads. Finally, on the products side, gasoline and distillate stocks fell by 831Mbbls and 2.87MMbbls respectively. Weaker refinery runs and stronger implied demand would have driven these draws.

## Metals – Global aluminium output rises

The latest numbers from the International Aluminium Association show that the average daily global primary aluminium output rose marginally to 195kt in August, up from 194.5kt a month earlier. Total monthly output rose 1.6% YoY to 6.04mt last month, although it was almost flat month-on-month. This leaves cumulative aluminium production at 46.5mt in the first eight months of the year, up 1.7% YoY. Chinese output increased 2.2% YoY to 3.6mt in August, whilst year-to-date production rose 2.5% YoY to 27.4mt. Production in Western and Central Europe is still struggling, falling 8% YoY to 230kt, while output was unchanged from the previous month.

## Agriculture – Brazil forecasts lower corn output

Brazil's agriculture agency, CONAB, in its first estimates for the 2023/24 season expects Brazil's corn production to fall 9.1% YoY to 119.8mt. The agency said grain prices are not offering decent profitability, which would result in reduced corn area for the 2023/24 harvest. In contrast, CONAB expects soybean production to rise 5.1% YoY to 162.4mt in 2023/24, if achieved this will be yet another record crop.

For coffee, CONAB lowered its Brazilian coffee production estimate slightly to 54.4m bags this year, compared to its previous estimate of 54.7m bags. This is still above the 50.9m bags produced last season.

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