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COMMODITIES DAILY

The Commodities Feed: Henry Hub weakness

Oil came under further pressure yesterday, whilst US inventory numbers released overnight were fairly bearish. Meanwhile, US gas prices weakened further despite progress in the restart of Freeport LNG



Energy - US crude builds

ICE Brent came under pressure yesterday, settling almost 3% lower on the day and leaving it close to US\$80/bbl. Fed minutes would have not helped sentiment, while expectations continue to grow for a more hawkish stance from the Fed in the months ahead. Weakness in the oil market is not restricted to the flat price - the prompt ICE Brent timespread has also weakened, although remaining in backwardation. A weaker timespread also ties in with the view of a better-supplied oil market in the short term

API numbers released overnight show that US crude oil inventories increased by 9.9MMbbls, whilst Cushing saw a small increase of around 480Mbbls. Builds were also reported in products, with gasoline and distillate fuel oil stocks increasing by around 890Mbbls and 1.37MMbbls respectively. Overall, the report was fairly bearish, given the crude build and increases across the board.

In the US gas market, Henry Hub briefly traded below US\$2/MMBtu yesterday, but still

managed to settle above this level. Earlier this week Freeport LNG received regulatory approval to restart commercial operations at two of its three liquefaction trains. Approval for the restart of the final train is still needed and production at the plant is expected to slowly ramp up in the coming weeks.

Metals – Nickel surplus

The latest monthly update from the International Copper and Study Group shows that the global copper market remained almost balanced in December compared to a supply deficit of 93kt in the previous month. For 2022, the copper market was in a deficit of 376kt, compared to a deficit of 455kt in 2021. Global mine and refined copper production increased by 3.3% YoY and 3.5% YoY respectively, whilst overall apparent refined demand grew by 3% YoY.

In nickel, the latest data from the International Nickel and Study Group shows that the global nickel market remained in a supply surplus of 21.9kt in December. For 2022 as a whole, the global nickel market witnessed a surplus of 112.2kt, compared with a deficit of 166.6kt in 2021.

World Steel Association data shows that global steel production fell 3.3% YoY to 145.3mt in January. In the EU27, crude steel output dropped 15.2% YoY to 10.3mt with Germany dominating the declines. In Asia, India's steel output fell marginally by 0.2% YoY to 10.9mt, while Japan and South Korea saw output declines of 6.9% YoY and 9.8% YoY respectively. Chinese steel production grew 2.3% YoY to 79.5mt last month, as domestic mills ramp up production on expectations of stronger demand in 2Q23.

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