

## The Commodities Feed: LME zinc inventories surge

The larger inflows of zinc into LME warehouses pushed the forward curve into deeper contango, reflecting comfortable supplies in the short term



### Energy – Brent-WTI spread increase

ICE Brent has been trading marginally positive this morning after extending the losses yesterday on persistent demand concerns. NYMEX WTI crude has been trading even softer with Brent-WTI spread increasing to a two-month high of US\$5/bbl yesterday. The American Petroleum Institute (API) reported that US crude oil inventories increased by 5.2MMbbls over the last week; comparatively, the market was expecting a withdrawal of around 1.2MMbbls. Cushing crude oil stocks are reported to have increased by 1.78MMbbls. If confirmed by EIA later today, this will be the largest weekly inventory build in more than three months. On the products side, API reported that gasoline and distillates inventories rose by 1.89MMbbls and 1.85MMbbls respectively, during the week ending 26 May.

TTF natural gas prices surged briefly to around €29/MWh yesterday before retreating to around €25/MWh currently as Equinor halted operations at its Hammerfest LNG plant in Norway due to a leak. The plant was restarted over the weekend only after an unplanned halt of more than three

weeks due to technical reasons. Europe has sufficient natural gas supply this summer with gas storage tanks filled at 68.6% of capacity compared to the five-year average of around 50.6% at this point in season, providing comfort to the market that marginal supply disruptions will not necessarily create supply shortages.

## Metals – Zinc inflows into LME warehouses

The latest data from the National Statistics Institute of Chile show that copper output in the nation dropped by 5.2% month-on-month (1.1% year-on-year) to 417.3kt in April due to project delays, water restrictions and lower ore quality. Cumulatively, output declined 2.1% YoY to 1.68mt in the first four months of the year, following a series of operational issues this year.

Meanwhile, the latest LME data show that exchange inventories for zinc rose by 13,175 tonnes to 87,500 tonnes (the highest since 6 June 2022) yesterday, with the majority of the additions coming from Port Klang warehouses. Meanwhile, on-warrant stocks rose by 13,775 tonnes (the biggest daily addition since December 2021) to 81,825 tonnes (the highest since 1 April 2022). Net inflows for the month totalled 34,950 tonnes compared to the inflows of 4,175 tonnes a month ago. Looking at the cash/3m for zinc, the existing contango widened to \$18.75/t (the highest since March 2022) as of yesterday, compared to a backwardation of \$1.5/t at the start of the month.

MMC Norilsk Nickel revised down its estimates for palladium supply deficit to 200koz after reviewing the impact of the new emissions regulations in China, lower when compared to its previous estimates of 300koz projected in February. Among other metals, Norinickel expects the global nickel market to encounter a supply surplus of 200kt (versus previous estimates of 120kt) in 2023, mainly due to the ramping up of new NPI and NPI-to-matte capacities in Indonesia.

## Agriculture – Coffee quality premium shrinks

The spread between Robusta and higher-quality Arabica coffee tightened and traded near US\$60/lb yesterday, the lowest since January 2021. Robusta prices have soared in recent weeks due to worries over decreasing supplies from major producers – Vietnam, Indonesia, and India. On the other hand, the projections of a massive Arabica crop by Brazil in the latter half of the year have been weighing on Arabica prices lately. Meanwhile, the demand for higher-quality Arabica coffee beans has been low as elevated prices in recent years (due to poor weather conditions in top producer Brazil) have pushed consumers toward Robusta beans, resulting in a tightening spread between the two types of coffee.

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2022/23 season stood at 45.3mt as of 31 May, a decline of 3.7% YoY. The above includes wheat exports of 15.4mt, down 17% YoY. Meanwhile, total corn shipments stood at 26.9mt, up 20.5% YoY. Ukraine's Agrarian Policy and Food Minister expect the nation's total grain exports to fall by 40% YoY this year following the disruptions in the functioning of the Black Sea grain corridor and the restrictions on agricultural imports from Ukraine imposed by some European countries.

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