

The Commodities Feed: Lower yields and weaker USD push complex higher

Commodities rallied yesterday on the back of lower treasury yields and a weaker USD. However, for oil, there is still little clarity over whether OPEC+ has come to an agreement on production quotas ahead of their scheduled meeting on Thursday



Energy - Kazakh oil disruptions

A move lower in treasury yields and a weaker USD following some less hawkish comments from some Fed officials yesterday provided a boost to the commodities complex. ICE Brent managed to settle a little more than 2.1% higher on the day, which took it back well above US\$81/bbl. The strength in the oil market comes despite the fact that there appears to still be no resolution to the disagreement between OPEC+ members over 2024 production targets. The group are scheduled to meet tomorrow, but if they fail to come to a preliminary deal, we cannot rule out the risk that the meeting is further delayed, which would likely put some downward pressure on oil prices. The outlook for the oil market in 2024 will largely depend on OPEC+ policy.

Further support would have likely come from disruptions to oil loadings in the Black Sea following a storm in the region. And this bad weather is expected to continue for most of this week. The halt in loadings will weigh on output, with Kazakhstan's energy ministry already saying that output at its

largest oil fields (Tengiz, Kashagan and Karachaganak) has been cut by 56%.

Numbers from the API overnight were somewhat neutral, showing that US crude oil inventories fell by 817Mbbls over the last week, while stocks at Cushing declined by 465Mbbls. The market was expecting a small draw in crude inventories. For refined products, gasoline inventories fell by 898Mbbls, while distillate stocks increased by 2.8MMbbls. If EIA numbers later today show a similar build in distillate stocks, it would be the first build since September.

Metals – MMG Peru copper miners begin strike

Workers at MMG's Las Bambas copper mine in Peru began an indefinite strike starting Tuesday over delayed payment of their bonuses. The mine has a maximum production capacity of 400ktpa. The strike's impact on the mine's copper production remains unclear as of now. The copper concentrate market is expected to tighten with smelters around the world increasing capacity, while political risks continue to increase for mining operations globally. In Panama, Canada's First Quantum mine has ignited massive protests in the country and was recently forced to suspend activity. A court yesterday ruled that the contract, which allowed the miner to operate the mine, was unconstitutional.

LME on-warrant copper stocks fell by 6,900 tonnes yesterday to 154,325 tonnes, the lowest since 19 September. The decline was driven by warehouses in New Orleans. Meanwhile, exchange inventories fell by 1,400 tonnes for a second consecutive day to 176,400 tonnes as of yesterday, the lowest since 2 November.

Agriculture – Cocoa jumps on supply woes

US cocoa prices extended their upward rally yesterday reaching their highest level since 1977. Concern over a strong El Nino event and wet weather elevating crop disease in West Africa are pointing towards a third consecutive supply deficit for the 2023/24 season. Recent reports suggest that the upcoming harmattan season (starting from late November-March) in the Ivory Coast has raised concern about caterpillar attacks while ageing plantations are expected to reduce overall productivity in the northwest region. Along with that, cocoa farmers in Ghana are struggling to receive proper fertilizers to control crop diseases, while Cameroon is also fighting black pods and other diseases due to persistent rains.

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