

# The Commodities Feed: Markets await Fed action

Markets have been trading in a fairly choppy manner, while sentiment remains relatively negative for risk assets. Participants will be focused on the Fed meeting later this week and expectations in the lead-up to the meeting have been fairly hawkish



## Energy - US SPR release

The oil market continues to trade in a relatively choppy manner. ICE Brent traded in a US\$4/bbl range yesterday, and managed to settle higher on the day, after trading weaker earlier in the session. A weaker USD would have provided some support to oil prices. However, like for most risk assets, market participants will be waiting for some clarity from the Fed when it meets later this week. The big question is how aggressive will it be in terms of hiking. Our US economist is of the view that we will see the Fed hiking by 75bps at this week's meeting.

Also not helping sentiment in the oil market at the moment is the weakness that we are seeing in refinery margins. Margins have come under pressure, with reports that China could release 15mt of export quotas for refined products. The refined product market, particularly middle distillates, has faced significant tightness for much of the year, and so increased Chinese supply would be welcomed by many in the market.

The US Department of Energy (DOE) announced that it will be selling an additional 10MMbbls of crude oil in November from its Strategic Petroleum Reserve (SPR). This sale would be part of the Biden administration's announcement back in March to release stocks from the SPR to combat higher prices. Under that initial announcement the DOE authorized the release of 180MMbbls of crude oil from the SPR. According to the DOE, roughly 155MMbbls has been released up until now - this further sale would take the total volume to around 165MMbbls.

According to Bloomberg the UAE is wanting to bring forward its plans to increase crude oil production. Adnoc is wanting to have the capacity to pump 5MMbbls/d of oil by 2025, rather than by 2030 as previously planned. The UAE currently has production capacity of a little over 4MMbbls/d - due to the OPEC+ supply deal, production is closer to around 3.16MMbbls/d at the moment.

## Agriculture – Ukraine grain exports

According to the latest update from the United Nations, almost 3.9mt of agricultural products have been exported from Ukrainian Black Sea ports under the export corridor deal since early August. Corn makes up almost 50% of these exports, whilst wheat makes up around a quarter of exports under the deal.

Latest trade data from China shows that corn imports dropped 44.% YoY to 1.8mt in August, while YTD imports are down 21% YoY to total 16.9mt. Among other grains, China's wheat imports fell 25% YoY to 530kt over the month, while cumulative imports declined 10% YoY to total 6.25mt over the first eight months of the year.

The USDA's weekly export inspection data shows the demand for US grains remained strong over the last week. US weekly inspection of corn for exports rose to 549kt over the last week, up from 474kt in the previous week and 403kt from the same time last year. Similarly, soybean shipment inspections rose to 519kt over the last week, compared to 342kt from a week ago and 279kt at the same time last year.

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