

The Commodities Feed: Middle East tensions ease

The oil market traded little changed in the early trading session today as part of a broader risk-off move across markets. Meanwhile, the LME aluminium tom-next spread surged to the highest level since May 2021, with on-warrant stocks falling to record lows sending supply jitters to the market



Energy – Oil trades in a narrow range

Both ICE Brent and NYMEX WTI continue to trade in a narrow range this morning as Middle East tensions have eased, while the Federal Reserve has signalled it might keep the rates higher for longer raising demand concerns. Recent reports suggest that both Iran and Israel consider the current operations concluded against one another, with no follow-up action required for now. Meanwhile, the US and Europe are preparing for new sanctions against Iran – although these may not have a material impact on oil supply in the immediate term. Timespreads continue to signal strength, with Brent prompt spread trading in a backwardation of US\$0.95/bbl as of today, compared to a backwardation of US\$0.79/bbl a week ago following geopolitical uncertainty and OPEC+ supply cuts.

European natural gas prices declined for a second straight session today, with front-month TTF

futures falling 4.7% to trade around EUR29/MWh in the early trading session. The recent decline is largely due to higher inventories and soft demand. Meanwhile, inventory remains very comfortable with storage tanks filled at 62% of capacity, which is above the five-year average of 44% full for this time of the year. While European natural gas prices declined, US prices managed to trade flat this morning (after ending higher in the previous trading session) on expectations of warmer-than-usual temperatures for the next few days. Market participants will now be watching this week's EIA inventory report closely to gauge the domestic market balance.

Metals – Global aluminium output recovers

Recent numbers from the International Aluminium Association (IAI) show that the average daily global primary aluminium output rose to 195.9kt in March, compared to 195.4kt reported a month earlier. Total monthly aluminium output rose 7.2% month-on-month and 3.5% year-on-year to 6.1mt last month (the highest since October 2023) amid higher production across all major producing regions. Cumulatively, production rose 4.1% YoY to 17.8mt over the first quarter of the year. Chinese output increased by 7% MoM and 5% YoY to 3.6mt last month, while cumulative production rose 5.2% YoY to 10.5mt between January and March 2024. Meanwhile, aluminium production in Asia (ex-China) rose 7% MoM and 3.3% YoY to 409kt in March. Production in Western and Central Europe also increased by 7.4% MoM to 232kt last month.

LME data shows that cancelled warrants for aluminium rose for a fifth straight session by 15,200 tonnes to 348,000 tonnes as of yesterday, the highest since 8 February 2022. The majority of the cancellations came from warehouses in Gwangyang, South Korea. On-warrant stocks for aluminium fell by 19,200 tonnes for a seventh consecutive day to a record low of 152,000 tonnes as of Monday. The aluminium tom-next spread traded at a premium of US\$25.25/t at one point yesterday, the biggest backwardation since May 2021. Meanwhile, the cash/3m spread for aluminium moved to a backwardation of US\$27.1/t (versus a contango of US\$10.1/t a day earlier) as of yesterday, the largest backwardation recorded since the start of June 2023.

In its latest quarterly report, MMC Norilsk Nickel shows that nickel output fell 10% YoY to 42kt in the first quarter of 2024, primarily due to a build-up of work-in-progress inventory. The company further forecasts the production guidance for nickel between 184kt-194kt in 2024, which is down 9% from 208.6kt produced a year earlier. Among other metals, copper output rose 1% YoY to 10kt in the first quarter of this year, while the company expects to produce 334kt-354kt of copper in 2024.

Agriculture – EU raises wheat yield estimates slightly

In its monthly crop monitoring MARS report, the European Commission estimates that total wheat yields could rise slightly to 5.72t/ha, compared to the previous projection of 5.7t/h and the five-year average of 5.65t/ha. Exceptionally dry weather conditions along with adequate water supply in major parts of Europe led to an upward revision of the yield projections. However, overly wet conditions in northwestern Europe restricted any major upward revision of the yield projections.

Recent data from Thailand's Office of the Cane and Sugar Board shows that Thailand crushed 82.2mt (with 70% of fresh sugar cane) of sugar cane in the 2023/24 season end, down 12.5% compared to the previous year. The decline in production could be largely attributed to the drought conditions in the country. This has resulted in a sugar output of around 8.8mt, marginally higher than expectations. The board projects higher sugar cane production for the 2024/25 season, as farmers are likely to shift from cassava to sugar cane harvest due to stronger prices.

The USDA's latest weekly crop progress report shows that corn and soybean plantings appear to be progressing well. The USDA reported that domestic corn plantings stood at 12% for the week ending 21 April, in line with the previous year's plantings and above the five-year average of 10%. Similarly, US soybean plantings were reported to be 8% complete, in line with levels seen last year and 4% ahead of the five-year average. The winter wheat crop conditions deteriorated over the last week, however still remain above levels seen a year ago. The USDA rated 50% of the winter wheat crop in good-to-excellent condition as of 21 April, compared to 55% a week ago and 26% at this point in the season last year.

The USDA's weekly export inspection data for the week ending 18 April shows that US exports for corn remained strong while soybean and wheat shipments slowed over the last week. US weekly inspections of wheat for export stood at 450.3kt, down from 620.1kt in the previous week but up from the 363.8kt reported a year ago. Similarly, export inspections for soybeans stood at 435.3kt over the week, marginally lower than 446.6kt in the previous week but up from the 379.7kt reported a year ago. US corn export inspections rose to 1,623.5kt, compared to 1,353.5kt a week ago and 938.8kt a year ago.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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