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COMMODITIES DAILY

The Commodities Feed: Oil bounces back

ICE Brent rallied yesterday. A weaker USD coupled with a number of supply concerns has helped to push the market higher. Meanwhile, European natural gas prices have fallen from their highs



Energy: further Kazakh oil supply concerns

While the oil market digests comments from the Saudi energy minister that OPEC+ may need to cut output, the market is faced with yet further potential supply disruptions. The CPC terminal on the Black Sea, which exports Kazakh oil, is facing some bottlenecks, with only one of the three moorings at the terminal operating. Damage on the other two moorings was detected and repair work is expected to take several months. The CPC terminal has experienced a number of disruptions so far this year, which has weighed on volumes.

Numbers released by the API overnight were fairly supportive. The API reported that US crude oil inventories declined by 5.63MMbbls over the last week, although, small builds were reported elsewhere. Cushing crude oil inventories increased by 679Mbbls, whilst gasoline and distillate fuel oil stocks grew by 268Mbbls and 1.05MMbbls respectively.

European gas prices eased somewhat yesterday. And this is despite Freeport LNG announcing that the partial restart of its LNG facility on the US Gulf Coast will be delayed from October to

mid-November. This announcement provided some relief to US natural gas prices, given that more gas will stay in the domestic market. However, it is not good news for Europe, which has been relying increasingly on LNG to make up for the shortfall in Russian supply.

Metals: potential for further supply cuts

Soaring energy prices in Europe continue to put pressure on industry. In recent weeks, we have seen a number of metal smelters announcing that they would shut down operations due to high energy prices. According to Bloomberg, Aluminium producer, Speira, has now warned that it may have to cut production at its German smelter to just 50% of capacity due to power costs. Speira has a capacity of 160ktpa, although is currently producing below this level. A decision on cuts will be made in September.

The latest data from the World Steel Association shows that global steel output fell 6.5%YoY to 149.3mt in July, due to lower production from China and Europe. Cumulative crude steel production declined 5.4%YoY to 1.1 billion tonnes over the first seven months of the year. The EU produced 11.7mt of crude steel in July, down 6.7%YoY given the ongoing power crisis. Chinese steel production declined 6.4%YoY to 81.4mt last month, as industrial activity slowed due to the resurgence of covid cases in multiple regions, along with the worsening property market. Among other Asian nations, India's steel output rose 3.2%YoY to 10.1mt in July, leaving YTD output at 73.3mt, up 8%YoY.

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