

The Commodities Feed: Oil maintains positive momentum

The oil complex continued its positive momentum yesterday amid economic optimism from China. The Brent forward curve traded in deeper backwardation, reflecting a tighter physical market. Oil supply from OPEC increased further in February as output recovers in Nigeria and Libya



Source: Shutterstock

Energy – OPEC output edges higher

The oil market traded amid positive sentiment yesterday, with ICE Brent settling higher for a third consecutive day on overall market optimism over Chinese economic recovery. The Brent forward curve also tightened further, with the prompt/next month spread increasing to a three-month high of US\$0.66/bbl of backwardation yesterday. On the other hand, positive economic data from the US and firm inflation pose a risk that the Fed rate hike cycle may continue for longer than initially estimated.

Preliminary numbers from Bloomberg show that OPEC oil production in February increased by 120 Mbbls/d to an average of 29.24 Mbbls/d. The largest increases came from Nigeria, Libya and

Venezuela, where output increased 80Mbbls/d, 70Mbbls/d and 30Mbbls/d respectively. Angola and Iran saw the largest declines, with output falling by 40Mbbls/d for both nations. Among other OPEC members, oil output remained largely flat as the group adhered to quotas fixed late last year. The OPEC+ committee is next due to hold an online meeting to review market conditions early next month.

Operations at BP's Rotterdam refinery were halted following a fire, potentially limiting fuel supplies from one of Europe's biggest oil-processing units. The refinery has two main crude-processing units, each having a capacity of around 200Mbbls/d. The market report suggests that one of the units was taken offline. The plant is a major supplier of gasoline and diesel in the region. Supply disruption to the plant comes at a time of ongoing seasonal maintenance at other plants and could help tighten the refined products market even further.

Metals – Trading with mixed signals

Base metals traded mixed this morning as market participants await the comments from the upcoming annual National People's Congress meeting in China, which is scheduled for Sunday. The meeting could outline the economic growth targets for the country along with upcoming stimulus plans – these will be watched closely to gauge metal demand expectations from the country.

In mine supply, as per the latest data from Chilean copper commission Cochilco, Codelco's copper production rose 5.1% YoY to 127kt while BHP's Escondida copper mine reported gains of 15.2% YoY to 93.3kt in January. Collahuasi's copper output declined 16.4% YoY to 43kt over the same period. Earlier, Cochilco reported that total copper production in Chile increased 1.3% YoY (down 12.5% MoM) to 435.9mt in January 2023.

Agriculture – Extreme weather conditions hurt grain crops in Argentina

The weekly report from the Buenos Aires Grain Exchange again raised alarm over inclement weather in Argentina. The exchange reported that ongoing heat waves and dryness may impact the current soy crop and that the production estimates could be revised down again, after already being cut by around 12% (from 38mt to 33.5mt) compared to last week's report. For corn, the exchange might trim its production estimates of 41mt as late-planted fields are struggling from heat and drought.

USDA released its weekly grains export sales report which shows that US grain sales remained weak for the week ending 23 February. Weekly export sales of corn were down to 598.1kt for the week, lower than the 848.7kt a week ago and 707.9kt the same time last year. These also remained lower when compared to the average market expectation of 788kt. For soybean, the agency reported that US export sales fell to 494.7kt for the above-mentioned week, lower when compared to 556.6kt in the previous week and significantly down from 2243kt a year ago. The markets expected a number closer to 635kt. Similarly, US wheat export sales declined to 301kt; compared to 418.8kt a week ago and 369.8kt a year ago. The market expected these exports to be around 360kt.

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