

## The Commodities Feed: Oil moves higher

Supply cuts announced by OPEC+ earlier this week continue to push oil prices higher



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### Energy - supply cuts continue to offer support to oil

Oil prices continue to strengthen following the [2MMbbls/d paper cut announced by OPEC+](#) on Wednesday. ICE Brent settled a little more than 1.1% higher yesterday, leading the market to trade above US\$94/bbl. The crude oil market is now on course for its best week since mid-April.

Following the OPEC+ meeting, the Saudis released their official selling prices (OSPs) for November loadings yesterday. Aramco left the OSP for its Arab Light into Asia unchanged at US\$5.85/bbl over the benchmark. Meanwhile, Europe saw cuts of US\$1.80/bbl for both extra light and light grades. There were smaller cuts of US\$1.50/bbl for both medium and heavy grades. All grades to the US saw a marginal increase of US\$0.20/bbl.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 131kt over the last week to reach 5.33mt. Fuel oil stocks saw the largest increase, growing 83kt over the week to 1.13mt. Gasoil and jet fuel inventories increased by 27kt and 43kt respectively. Naphtha and gasoline inventories saw some moderate declines over the period.

As for the European gas market, noise around a possible price cap continues to grow. According to

Bloomberg, Belgium, Italy, Greece and Poland have proposed implementing a price cap on natural gas, which would include a corridor/range that would allow prices to trade within a certain range of the cap. The EU will need to be careful with how they go about trying to cap gas prices. This type of intervention will make it more difficult for the market to balance through needed demand destruction.

In the US, natural gas prices continued to edge higher yesterday, despite the EIA reporting the largest weekly increase in inventories since 2015. US natural gas inventories increased by 129bcf, which was above market expectations of around 123bcf and also well above the 5-year average of 87bcf. Despite this large increase, total US natural gas inventories are still 7.8% below their 5-year average.

## Metals – LME restricts new Russian metal

The London Metal Exchange said it will restrict new deliveries of metals from Russia's Ural Mining & Metallurgical Co. and one of its subsidiaries after the UK placed sanctions on co-founder, Iskandar Makhmudov. Starting immediately, metal from UMMC or the Chelyabinsk Zinc unit can only be delivered to LME warehouses if the owner can prove to the exchange that it won't constitute a breach of sanctions, including that it was sold before Makhmudov was sanctioned by the UK on 26 September, and that neither company has any economic interest in the metal. The LME said that UMMC copper, which is currently listed in the LME warehouse system, is not subject to the sanctions. There is no zinc produced by Chelyabinsk in LME warehouses.

Last week the LME said it planned to launch a discussion paper considering a potential ban on new supplies of Russian material, including aluminium, copper, and nickel. Russia's Rusal said that any move by the LME to restrict deliveries of its metal would damage the exchange's standing in the global markets. The aluminium producer made the statement in a letter to customers, as it steps up a lobbying campaign against any possible move to block Russian metal. Rusal said that restricting deliveries of its metal would "create uncertainty around the role of the LME in the market" and make the exchange "less attractive to all participants." Rusal is the world's largest aluminium producer outside of China and accounts for about 6% of the world's production.

Although Russian metals, including aluminium, copper and nickel are not officially sanctioned, self-sanctioning could already be disrupting trade dynamics in the global metals markets.

## Agriculture- Brazilian crop prospects

In its first estimates for 2022/23, Brazil's National Supply Company, CONAB, forecasts domestic soybean production to increase by 21.3% YoY to 152.4mt largely on account of better yields. As Brazil recovers from drought in 2021/22, CONAB estimates soybean yields to increase 17.4% YoY to 3.6t/ha. Meanwhile, soybean acreage could also increase by around 3.4% YoY to 42.9m hectares. Comparatively, in the previous WASDE report, the USDA estimated that Brazil's soybean production would increase by 18% YoY to 149mt. Considering the higher estimates from CONAB, the USDA could also increase Brazil's soybean supply estimates in next week's WASDE report. CONAB expects higher domestic production to support exports as well, with external shipments rising around 22.5% YoY to 95.9mt in 2022/23. Meanwhile, CONAB forecasts corn production to increase 12.5% YoY to 126.9mt, again largely due to better yields as the weather improves. Domestic corn yields are expected to increase 8.4% YoY to 5.7t/ha, whilst corn acreage could also increase 3.8% YoY to 22.4m ha.

The Thai Sugar Millers Corp estimates domestic sugar cane production will increase to around 110mt in 2022/23 compared to around 92.1mt in 2021/22 due to better weather and supportive government policies. This would be the largest Thai sugar cane crop over the past three years and would help boost export supply from a key global exporter.

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