

The Commodities Feed: Oil pushes higher on rising tensions

Oil extended its upward rally this morning amid continuing tensions in the Middle East. Reports of drone attacks by Ukraine against facilities on the Baltic coast – a key oil export route for Russia, has further supported the oil market



Energy: Brent holds above US\$80/bbl

- The oil market continued to rally this morning with ICE Brent trading around US\$80.4/bbl as of the time of writing. The heightened geopolitical tensions have continued to provide support to the oil market with the recent reports of more airstrikes by the US and UK against the Houthis in Yemen. Meanwhile, drone strikes by Ukraine have shut down a Novatek PJSC gas-condensate terminal on the Baltic coast over the weekend, raising concerns for the oil exports from Russia's western ports.
- North Dakota's pipeline authority estimates that oil production in the region was down around 250-300Mbb/d as of 22 January due to the operational challenges amid the cold snap. The estimates have slightly improved from Friday's estimate of being down around 350-400Mbb/d as the weather has improved. The extreme cold weather in the US has also impacted refining operations in the country with around 15% of refining capacity in the Gulf Coast region reported to be offline as of last Friday.
- Libya could resume its oil exports and production from its largest oil field which has been shut for about three weeks. The National Oil Corp. said that oil output at Sahara fields

will restart as the force majeure is lifted. The restart of the operations came after the local governments agreed to meet most of the demands from protestors. Crude oil production at the oil field stood at around 270Mbbbls/d earlier.

Metals: Nickel under pressure

- Nickel continues to trade under pressure this year after slumping more than 40% in 2023 as increased supplies from Indonesia have raised concerns over a global supply glut. Lower prices have been prompting miners to cut back on supplies. Wyloo Metals Pty Ltd., owned by Andrew Forrest, said it's shutting down mine operations in Western Australia from 31 May due to the prolonged weakness in the nickel market. As a result, parts of BHP's Kambalda concentrator will also be suspended starting in June because they can no longer receive ore supply from Wyloo's halted mines.
- Recent numbers from the International Aluminium Association (IAI) show that the average daily global primary aluminium output was flat at around 194.9kt in December, compared to 195kt reported a month earlier. Total monthly output rose 2.1% year-on-year (+3.3% month-on-month) to 6.04mt last month, following improved production levels from almost all major producing countries. Meanwhile, cumulative aluminium production rose 2.3% YoY to 70.6mt for the full year 2023. Similarly, Chinese output is estimated to have increased 2.4% YoY (+3.3% MoM) to 3.57mt last month, while year-to-date production is seen rising by 3.1% YoY to 41.7mt in Jan'23-Dec'23. Production in Western and Central Europe also recovered 3.1% MoM to 231kt in December, while year-to-date output still declined 6.9% YoY to 2.7mt last year. Meanwhile, aluminium production in Asia (ex-China) rose 2.6% YoY to 401kt in December.
- The International Copper Study Group's (ICSG) latest update shows that the global copper market remained in a supply deficit of 119kt in November. Meanwhile, the Group estimates a total deficit of 130kt over the first 11 months of the year amid subdued mine production and higher demand (particularly in China). Global mine and refined copper production increased by 1% YoY and 5.5% YoY, respectively, while overall apparent refined demand increased by 4% YoY over the first 11 months of the year.

Agriculture: Shipping disruptions from Brazil push coffee higher

- Arabica coffee front month contract jumped around 7% yesterday as shipping disruptions from Brazil risk tightening the market in the short term. Brazil's ports are facing strikes by customs officers and other inspectors from 22-26 January that are likely to delay shipments originating from Brazil. The tensions around the Red Sea trade route have further supported coffee prices. The shipment disruptions from Brazil could impact other commodities as well including soybeans, corn and sugar.
- According to China's Ministry of Agriculture and Rural Affairs, soybean production in China reached an all-time high of 20.84mt in 2023 primarily due to the country's support for food security. Meanwhile, the soybean planting area in China reached 157 million mu (about 10.47 million hectares) last year, while that of oilseed crops exceeded 200 million mu. The ministry added that it plans to further increase the planting of genetically modified corn and soybean crops in a push to boost grain output and bolster food security in the country.
- The USDA's weekly export inspection data for the week ending 18 January shows that export inspections for corn stood at 713.3kt over the week, lower than 946.4kt in the previous week and 728.8kt reported a year ago. Similarly, US soybeans export inspections

stood at 1,161.1kt, down from 1,278.2kt a week ago and 1,839.2kt seen last year. For wheat, US export inspections came in at 314.5kt, compared to 242.2kt from a week ago and 349.4kt reported a year ago.

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