

The Commodities Feed: Oil steady ahead of key monthly reports

The crude oil market is awaiting monthly OPEC and the IEA reports to gauge the market balance. Elsewhere, sugar production in Brazil remains healthy, which should help offset supply losses from India and Thailand and keep price gains under check



Energy – Oil steady ahead of key monthly reports

ICE Brent started the week on a soft note after a push higher towards the end of last week, which supported the ICE Brent at around US\$82/bbl on Friday on optimistic comments from Saudi Arabia. The market awaits monthly oil market data from OPEC (later today) and the IEA (on Tuesday), which will provide more visibility of the physical market conditions and crude oil market balance.

Media reports suggest that Russia could lift remaining restrictions on gasoline and diesel exports in the coming week as refineries restart after maintenance and the domestic fuel supply has improved. Earlier, Russia imposed restrictions on gasoline and diesel exports as supplies fell, although restrictions on diesel exports were eased later as those supplies improved.

Recent reports suggest that Kuwait's mega Al-Zour refinery is restarting its operations gradually and is expected to recover to its previous production capacity in about ten days. The refinery was

forced to a near-complete halt of production activities due to technical issues. The Zour refinery is one of the biggest oil processing facilities in the Middle East and has an operating capacity of 615Mbbbls/d. The refinery was earlier scheduled to be fully operational last month.

Metals – LME aluminium stocks increase

Industrial metals ended lower on Friday as the latest statements from the US Fed indicated the need for higher interest rates. LME copper 3m prices fell over 1% from the previous session, to close at US\$8,035/t, while nickel prices led the decline in base metals and fell over 3% on Friday.

Recent LME data shows that total on-warrant stocks for aluminium reported inflows of 25,150 tonnes (the biggest daily addition since 22 August) to 228,950 tonnes as of Friday, the highest since September 21. The majority of the inflows were reported in Gwangyang, South Korea warehouses. Meanwhile, cancelled warrants for aluminium extended the declines for a 22nd consecutive session and fell by 2,500 tonnes to 252,800 tonnes, while exchange inventories jumped by 22,650 tonnes to 481,750 tonnes at the end of last week. Among other metals, nickel on-warrant stocks rose by 2,124 tonnes (the biggest daily addition since 8 April 2022) for a fourth straight session to 40,182 tonnes. Most of the inflows were reported from Rotterdam warehouses. The cash/3m spread for nickel expanded to a contango of US\$231.5/t as of Friday from a contango of US\$229.5/t a day earlier.

Weekly inventories for base metals in China remain mixed over the last week, according to recent data from the Shanghai Futures Exchange. Copper weekly stocks witnessed outflows of 5,670 tonnes (-14% WoW) to 34,846 tonnes as of Friday, the lowest since 30 September 2022. In contrast, aluminium inventories increased by 11,694 tonnes (+10% WoW) to 126,433 tonnes (highest since the week ending on June 23) at the end of last week. Among other metals, weekly exchange inventories for zinc rose by 6% WoW to 35,578 tonnes, while lead stocks increased by 2.7% WoW to 68,896 tonnes as of Friday.

Agriculture – UNICA reports higher sugar production

The latest fortnightly report from UNICA shows that sugar cane crushing in Centre-South Brazil rose to 34.6mt, up 8.1% year-on-year over the second half of October. This was higher than the average market expectations of 33.7mt. The cumulative sugar cane crush for the season increased by 14.1% YoY to 560.5mt. Sugar production rose 9.4% YoY to 2.35mt in 2H October, with 48.7% of cane allocated to sugar production in the fortnight. The market was expecting sugar production to stand around 2.26mt. Cumulative sugar output so far this season stands at 37m.2t, up 22.6% YoY.

Vietnam's Coffee Association expects coffee production in the country (the largest robusta producer) to decline by 10% YoY to 1.84mt in 2023/24 following climate change and fewer plant investments. The association added that delayed harvesting and poor bean quality could also affect output; end-crop year stock estimates dropped to the lowest level of 58kt from 160kt seen last year. Turning to the demand side, Vietnam's Coffee-Cocoa Association expects the nation's long-term coffee consumption to reach 270kt-300kt in 2025, up from 220kt in 2022.

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