

## The Commodities Feed: Oil weakness

Both the flat price and time spreads for oil continue to weaken as demand concerns take centre stage. This week, the market should receive further clarity on the level that the G-7 plans to set for the price cap on Russian oil



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### Energy - WTI prompt spread in contango

The oil market finished last week under pressure. ICE Brent had its worst week since early August, falling by more than 8.7%, while NYMEX WTI managed to settle just above US\$80/bbl. Sentiment in the market clearly remains negative as demand concerns weigh on prices. These concerns are driven by the Covid situation in China, along with a gloomier global macro outlook. The forward curve is also weakening. The prompt WTI time spread is now trading in contango, suggesting a better-supplied spot market. Meanwhile, the ICE Brent prompt spread has also weakened from a backwardation of more than US\$1.30/bbl last Monday to a backwardation of just US\$0.47/bbl on Friday.

It's no surprise that speculators cut back on their positioning over the last reporting week. The ICE Brent managed-money net-long fell by 29,537 lots over the week to 208,550 lots as of last Tuesday. This move was largely driven by longs liquidating, rather than fresh shorts. Similarly, speculators reduced their net long in NYMEX WTI by 21,978 lots to 191,833 lots. Given the

weakness seen in the market since last Tuesday, the actual net long is likely to be quite a bit smaller currently.

As for the calendar this week, it will be shorter than usual, with Thanksgiving in the US on Thursday. Although we could get more clarity on the G-7 price cap for Russian oil on Wednesday, including the level at which the group intends to set the cap. Finally, EU energy ministers will meet on Thursday to try to move closer towards an agreement on their latest energy measures for the region, including joint purchases and price volatility management.

## Metals – India cuts steel and iron ore export duties

China's imports of unwrought aluminium and products fell 34% YoY to 196.5kt in October, under pressure from stronger overseas prices of the metal - the latest trade data from Chinese Customs shows. Total imports fell 27% YoY to 1.88mt in the first ten months of the year. On the exports side, alumina exports jumped 943% YoY to 60kt last month, while YTD exports gained 702% YoY to 860kt during Jan'22-Oct'22. These gains are mostly reflective of increased flows to Russia.

India has removed export duties on a number of steel products and iron ore, which were imposed back in May. This includes iron ore lumps and fines with less than 58% iron content and iron ore pellets. Meanwhile, iron ore lumps and fines with an iron content of more than 58% will still attract a 30% duty.

## Agriculture - weak Chinese corn imports

The latest trade data from China's Customs shows that corn imports fell 58% YoY to 550kt in October, while YTD imports were down 27.5% YoY to 19mt. Among other grains, China's wheat imports jumped 157% YoY to 1.24mt over the month, however, cumulative imports are still down 2.6% YoY to 7.9mt over the first ten months of the year.

The latest data from Ukraine's Agriculture Ministry shows that farmers have completed 81% of the grain harvest, amounting to 39mt. The total volume includes 12.3mt of corn, harvested from 50% of the expected area with a yield of 5.81t/ha. The wheat and barley harvests are now complete with farmers producing 19.4mt and 5.6mt respectively. In 2021, Ukraine produced 32.2mt of wheat and 9.4mt of barley.

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