

The Commodities Feed: Operational issues tighten copper supply

Some of the major copper producers in the Americas have downgraded their copper production target for this year and next due to operational issues. Lower supply along with optimism around a revival in Chinese demand could support copper prices although broader economic concerns persist



Workers on a copper foil production line in Jiangxi Province

Energy: EIA reports inventory gain for the week

ICE Brent has been trading softer this morning after settling above US\$90/bbl yesterday. The uncertainty around the Israel-Hamas conflict continues to be the major driving force behind the volatile crude oil prices currently. The sell-off in the broader financial market also appears to be weighing on crude oil prices today.

Weekly inventory numbers from the EIA were soft, with crude oil stocks rising last week. Commercial crude oil inventories increased by 1.4MMbbls over the week, driven by firm imports, slow exports, and softer domestic demand. Earlier, API reported an inventory withdrawal of 2.7MMbbls while the market expected withdrawals of around 0.5MMbbls. Meanwhile, the refinery operating rates dropped further to 85.6% last week compared to 86.1% over the preceding week; refinery utilisation has now dropped to its lowest level since mid-January. Distillate inventories dropped by 1.7MMbbls over the week due to lower supplies while gasoline inventories increased marginally by 0.2MMbbls to 223.5MMbbls.

Metals: Downside revision in copper production guidance

Southern Copper has lowered its production guidance to 918kt of copper this year and 947kt for next year compared to its earlier target of 932kt for the current year and around 1mt for next year. The downside revision is mainly due to operational issues faced in Peru and Mexico. Earlier, other producers including Teck and Anglo-American also revised down their production guidance. Meanwhile, protests against First Quantum's Cobre Panama mine have started in Panama after the government approved a long-term contract for the mine. The protests have not impacted copper supplies yet; however, this reflects the operational challenges for the mine.

The LME aluminium forward curve has been tightening this month on improving demand expectations from China as Beijing focuses on stimulus measures to support the economy. The LME aluminium cash-3M spread tightened to US\$16/t of contango currently compared to an average contango of US\$41/t in September 2023. The gradual decline in LME aluminium inventories and the risk of supply cuts from China during winter months have also helped aluminium spot prices to move higher.

Agriculture: UNICA reports higher cane crush

The latest fortnightly report from UNICA shows that sugar cane crushing in Center-South Brazil increased by 17.6% year-on-year to 32.8mt over the first half of October. The cumulative sugar cane crush for the season increased by 14.5% YoY to 526mt. Meanwhile, sugar production rose 22% YoY to 2.2mt over the first half of October with total sugar output up 24% YoY to 34.9mt in the season so far. Sugar cane allocation for sugar production remains high at 49.4% in the season so far compared to last year's 45.6% at this point in the season. High sugar prices and stronger demand for Brazilian sugar in the global market have helped push mills to allocate more cane towards sugar instead of ethanol.

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