

The Commodities Feed: Palladium sanction concern

Oil prices have rallied this morning after yesterday's sell-off. Meanwhile, palladium prices have increased on the back of reports that the US is pushing for sanctions on Russian palladium



Russia is a sizeable producer of metals like palladium, aluminium, and nickel

Energy – Large US crude build

Having sold off more than 1.4% yesterday, ICE Brent bounced back this morning and edged towards \$76/bbl. The market continues to be caught between supply risks related to ongoing Middle East tension and lingering demand concerns. The outlook for a comfortable 2025 oil balance will also be playing a role in price action.

The EIA's weekly inventory report was fairly bearish. US commercial crude oil inventories increased by 5.47m barrels over the last week, well above the 1.6m barrels increase the API reported the previous day. This stronger-than-expected build occurred despite refiners increasing their utilisation rates by 1.8pp WoW, which led to crude inputs growing by 329k b/d over the week. Stronger crude oil imports increased by 902k b/d and contributed to the inventory build. On the product side, gasoline inventories increased by 878k barrels, while distillate stocks fell by 1.14m barrels. On the demand side, while apparent gasoline demand was stronger over the week, the total implied demand for refined products fell by 446k b/d WoW.

European natural gas prices strengthened yesterday with TTF settling above EUR41/MWh. Storage remains comfortable at more than 95% full, although the pace of builds has slowed in the last two days. And while storage will start the heating season in a very comfortable position, it's looking less likely that storage will be 100% full by early November. The market continues to be buoyed by supply risks. These include the lingering tension in the Middle East, as well as an unplanned supply outage at the Sleipner platform in Norway. The latest positioning data shows little change in the investment fund net long in TTF. Funds continue to hold a net long of almost 202TWh.

Metals – Palladium sanction risk

Palladium prices have rallied in early morning trading today, up more than 4.6% at the time of writing, after reports that the US asked G-7 members to consider placing sanctions on Russian palladium and titanium. However, it may be difficult to convince other nations to place sanctions on Russian palladium given its dominance as a global supplier, making up around 40% of global supply.

The zinc cash/3m spread on the LME moved into deeper backwardation, suggesting near-term supplies are tightening. The premium of the LME cash contract over the benchmark three-month contract surged to a little more than \$58/t yesterday, the strongest it has been since September 2022. The key spread moved into backwardation at the end of last week after remaining in contango for most of the year. Last week, Sibanye Stillwater Ltd. said that it expects operations at its Century zinc mine in Australia to be suspended until mid-November after a bushfire damaged some equipment. Century produced 76kt of zinc last year.

The global zinc market remained in a supply surplus of 127kt in the first eight months of the year, compared to a supply surplus of 418kt a year earlier, data from the International Lead and Zinc Study Group (ILZSG) shows. Total refined production fell by 1% YoY to 9.1mt, while total consumption rose by 2.3% YoY to 9mt between January and August 2024. For lead, total production decreased by around 1.2% YoY to 8.58mt, while consumption fell by 1.4% YoY to 8.57mt over the first eight months of the year. The global lead market witnessed a marginal surplus of 8kt in Jan'24-Aug'24, compared to a deficit of 10kt during the same period last year.

Agriculture – Brazil's corn exports to decline

The latest estimates from the National Association of Cereal and Grain Exporters (ANEC) show that Brazil's corn exports could fall by 24.1% YoY to 41mt for the 2024 season. The fall in exports is largely attributed to the recovery of supply in key producing countries (Argentina, US, Europe, and Ukraine) and slowing demand from China.

Argentina's cumulative corn shipments for the season (January to August) stood at 24.5mt, up 40% YoY. Meanwhile, China's corn imports from Brazil haven't even reached 2mt so far this year as the nation plans to achieve self-sufficiency in producing the grain. This could leave Brazil's corn-ending stocks at 10mt by the year-end, and if realised, this would be the highest level since 2018.

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