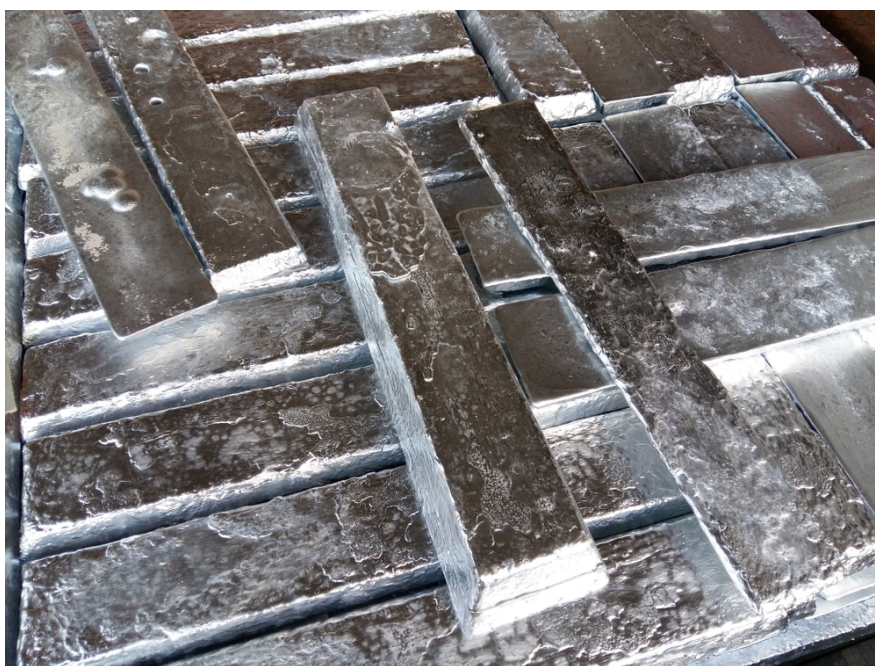


The Commodities Feed: Positive economic sentiment helps to boost prices

The Fed's decision to keep interest rate hikes on pause for a second consecutive time has bolstered economic sentiment and supported commodity prices, including energy and metals. Fresh mine closures have provided additional support to zinc, with prices climbing to around US\$2,600/t yesterday



Source: Shutterstock

Energy – OPEC oil output held stable

ICE Brent has been trading firm this morning on positive economic sentiment after the US Fed continued to pause interest rate hikes. The hawkish tone remains in the accompanying statement. Lower crude oil inventory in the US and Europe also continued to be supportive of crude oil prices.

Preliminary OPEC production numbers for October suggest a broadly stable output as the modest increases across most of its African members offset the declines elsewhere. According to a Bloomberg survey, OPEC output increased by 50Mbbbls/d MoM to 28.1MMbbbls/d last month. Nigeria led the gains, with their production rising by 60Mbbbls/d to 1.5MMbbbls/d followed by Venezuela

(+30Mbbbls/d), Congo (+20Mbbbls/d) and Gabon (+20Mbbbls/d). The output additions were partially offset by declining production in Iraq (-40Mbbbls/d), Iran (-30Mbbbls/d), Kuwait (-20Mbbbls/d) and Libya (-20Mbbbls/d).

The latest numbers from the EIA weekly inventory report show that US commercial crude oil inventories increased by 0.8MMbbls over the last week. Earlier, API reported an inventory build of 1.35MMbbls while the market expected a build of around 1MMbbls. Total crude oil inventory (excluding SPR) at around 421.9MMbbls remains about 5% below the five-year average at this point in the season. US crude oil production remained unchanged at 13.2MMbbls/d. As for refined products, gasoline stocks rose by 0.1MMbbls, while distillate stocks fell by 0.8MMbbls. US refinery utilization softened further to around 85.4% as refineries aim to complete maintenance activity before winter demand kicks in.

Metals – LME zinc jumps on mine closures

Base metals and gold prices traded higher in the morning session as the Federal Reserve kept interest rates steady for the second consecutive time. The Fed maintained a hawkish tone in the current meeting; the ING economics team believe that the need for further policy rate hikes is dramatically reduced as treasury yields stay at elevated levels. Meanwhile, a softer US dollar provided an additional boost to the metals complex this morning.

LME zinc futures rose to their highest level in almost a month, with prices reaching intra-day highs of US\$2,598.5/t (+7% DoD) yesterday, soon after Nyrstar announced it was closing two of its mines. Nyrstar said yesterday that it would temporarily suspend production activities at two of its underground mines (Gordonsville and Cumberland) in the US state of Tennessee – starting from 30 November. Nyrstar does not disclose production data for individual mine operations, but the Middle Tennessee processing plant has annual capacity of around 3mt of ore and 50kt of zinc concentrates. Falling metal prices and rising production costs are responsible for the closures, a third shutdown of zinc operations in recent months. High-cost mines like Boliden AB's Tara in Ireland, Almina-Minas do Alentejo SA's Aljustrel in Portugal and Volcan SA's Islay in Peru have already been forced to halt operations.

In aluminium, Shanghai Metals Market (SMM) reported that an aluminium smelter in the Xinjiang autonomous region in northwest China is preparing to reduce its output following a power shortage. Earlier, SMM said that the aluminium smelters in Yunnan province are also gearing up for a combined cut of 1.15mt of annualized capacity for the upcoming winter season. Despite the recent production cuts announcements from China, the LME cash/3m spread existing contango widened to US\$19.5/t yesterday from a contango of US\$11.4/t a day earlier as the demand picture remains unclear.

Agriculture – Drought impacts sugar crop in Thailand

Recent estimates from the Thai Sugar Millers Corp. show that sugar production in the nation is likely to fall to around 7mt-8mt in 2023/24 compared to 11mt of production for the last season as the drought destroys cane plantations. The group now expects that the sugar exports could fall to around 4-5mt next year compared to 7mt of exports expected in 2022/23. This comes one day after the Indian Sugar Mills Association lowered its sugar output forecasts for the next season. The expectations of falling output from these two major sugar-producing nations will further tighten the global market balance and would support sugar prices – which are already near the highest level in 12 years.

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