The Commodities Feed: Risk-off move

The commodities complex has been unable to escape the spillover from the SVB collapse, with large parts of the complex coming under pressure. Today's US CPI print will be important for markets as it may shed some light on what the Fed could do next week when they meet

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Energy - oil under pressure

The oil market was unable to escape the broader risk-off move as markets grappled with the spillover from the SVB collapse. ICE Brent traded briefly below US$80/bbl yesterday and to its lowest level since early January. However, the market recouped some of these losses and managed to settle back above US$80/bbl. The increased volatility we have seen recently may linger for a while longer with US CPI data out later today. This data point should give some clarity on what the Fed may do next week at their FOMC meeting, although there will still be plenty of uncertainty over Fed policy given recent developments.

OPEC will release its latest monthly oil market report later today, in which it will share its latest supply and demand estimates for the remainder of the year. In last month's report OPEC forecast that 2023 global oil demand would grow by 2.32MMbbls/d YoY to average 101.87MMbbls/d, while non-OPEC supply was forecast to grow by 1.44MMbbls/d YoY to 67.01MMbbls/d, which leaves the call on OPEC production at 29.42MMbbls/d in 2023.

The Biden administration has approved ConocoPhillip's $8b Willow oil project in Northwest Alaska. According to Bloomberg, the site is expected to eventually supply around 180Mbbls/d of oil. The approval will allow ConocoPhillips to drill from 3 well pads, which is less than the 5 pads that they were originally seeking.

Following the significant strength in the European natural gas market at the end of last week, prices came under renewed pressure yesterday with TTF falling by almost 6.2%. Stronger wind power generation and forecasts for milder weather across parts of Northern Europe would have eased some concerns following recent energy disruptions in France. While EU gas storage is comfortable at more than 56% full, the gas market will likely remain extremely sensitive to any supply and demand developments.

Metals – SVB fallout sparks haven demand

Gold is on the rise again following the collapse of Silicon Valley Bank, curbing expectations for more hikes from the US Fed. Gold will likely stay supported in the coming weeks amid fears of contagion risk. Meanwhile, key US inflation data will be in the spotlight today for more clues on the Fed's interest rate path.

MMG confirmed the resumption of transportation of copper concentrates over the weekend while operations return to full capacity at its Las Bambas mine. The mine will now gradually reduce stockpiles of copper concentrate, which were held on-site amid disrupted logistics. The company added that it will continue to work closely with communities along the Southern Road Corridor to avoid any future disruptions to supply and export logistics.

Rio Tinto's chief executive said yesterday that production had started at the Oyo Tolgoi project in Mongolia. At its peak in 2030, the Mongolian project will be the world's fourth-biggest source of copper, able to produce 500ktpa of copper.

Agriculture – Black Sea grain deal

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2022/23 season stood at 34.2mt as of 13th March, a decline of 24% YoY. Total corn shipments stood at 19.9mt, down 2% YoY, while wheat exports fell 36% YoY to 11.9mt. Meanwhile, negotiations for the extension of the Black Sea Grain Initiative are underway - the current deal is set to expire on 18 March. While all parties are keen to extend the deal, there are reports that Russia only wants to extend the deal by 60 days, rather than the usual 120 days seen previously. A shorter extension would increase uncertainty in grain markets.

USDA weekly export inspection data for the week ending 9th March showed that the demand for US corn and soybeans remained stable, while inspections for US wheat fell. US weekly export inspections of corn rose to 999.4kt compared to 933.3kt in the previous week, but lower than the 1,146.8kt reported a year ago. Similarly, US soybean inspections rose to 618.8kt, up from 552.4kt a week ago though lower than 798.7mt a year ago. And US wheat export inspections stood at 249kt, down from 341.1kt in the previous week and 307.6kt a year ago.

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