

## The Commodities Feed: Risk off move continues

The complex came under further pressure yesterday, dragged down by weakness across risk assets. Price action later today will likely be dictated by the US jobs report



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### Energy - Positioning ahead of US jobs report

The oil market came under further pressure yesterday, weighed down by a weaker equity market. We also saw some positioning ahead of today's US jobs report. A strong report would likely intensify expectations of a more hawkish Fed, which would likely mean weaker risk assets.

Operations at some French refineries remain disrupted with ongoing strike action, which is impacting energy infrastructure around the country. Strike action is blocking the delivery of fuel from a number of refineries. The lack of movement in the gasoil crack suggests there is little concern from the market at the moment. Middle distillate stocks in the ARA region remain comfortable. The latest data from Insights Global shows that gasoil inventories stand at 2.49mt, down 29kt over the week, but still above the 5-year average.

In Singapore, middle distillate inventories increased by 1.69MMbbls over the last week to 8.9MMbbls, which still leaves stocks below the 5-year average of around 11.15MMbbls for this time

of year. Middle distillate inventories in Singapore remain relatively tight despite the increase in product exports from China in recent months. Trade data released from China earlier this week showed that refined product exports over the first two months of the year increased by 74% YoY to 12.7mt.

US natural gas prices have come under some pressure this morning, following the EIA's storage report yesterday. US natural gas storage fell by only 84bcf last week, which is less than the 5-year average of 101bcf. That leaves US natural gas storage 21.5% above the 5-year average, leaving the market in a very comfortable position as we move closer to the end of the heating season. A milder winter has meant more limited draws from storage, while the Freeport LNG outage would have added to the softer domestic supply & demand picture. Freeport LNG has received approvals to restart in recent weeks, which should see US LNG exports edge higher in the coming weeks.

## Metals – European aluminium smelters still under pressure

Aluminium producer Speira said it will shut down its German plant Rheinwerk this year due to the challenging energy market. Last September, the producer reduced capacity by 50% amid surging power prices. Speira said it will now focus solely on recycling and processing aluminium into value-added products. Since the start of the energy crisis, European aluminium production has fallen by more than half. Falling energy costs in Europe more recently have eased fears of a deep recession. But so far, only Aluminium Dunkerque has announced a restart of its curtailed capacity of 60kt/y in France. The plant is expected to be operating at full capacity by the end of May.

We still believe, given the uncertainty over the gas market in 2023, smelters will be reluctant to bring back production too quickly. Last month, Norsk Hydro warned that the market remains challenging for aluminium smelters despite a recent drop in power prices and that there is still a risk of further cuts if we see another spike in energy prices.

Canada's First Quantum reached an agreement with Panama's government over the Cobre copper mine. Operations at the mine have been suspended for three months over a tax dispute. The mine has a production capacity of around 300ktpa of copper concentrate. Processing at the mine is set to resume in the coming days while Panama's maritime authority will allow First Quantum to resume exporting copper concentrate. First Quantum and Panama have been negotiating new tax terms for more than a year.

Copper and aluminium output in China increased in January and February, according to the latest survey by Shanghai Metals Market. Refined copper output in China rose 6.5% YoY to 1.76mt in the first two months of the year. Actual output came in higher than expected due to the ramp-up of new capacity and the restart of three smelters. Primary aluminium output rose 5.8% YoY to 6.51mt in Jan'23-Feb'23, following new capacity and the restart of some units in Southern provinces.

## Agriculture- slight revision lower to Brazilian soybean output

Brazil's agriculture agency, Conab cut its 2022/23 domestic soybean production estimate from 152.9mt to 151.4mt following some drought losses in Rio Grande do Sul state. Corn production estimates were revised up from 123.7mt to 124.7mt for 2022/23.

The recent reports by USDA show that US corn and wheat sales remain strong while soybeans witnessed a drop for the week ending 2nd March. US corn sales increased to 1,525kt compared to

598kt in the previous week. Similarly, US wheat export sales rose to 337kt compared to 301kt a week ago. Meanwhile, soybean export sales fell to 149kt, down from 495kt the week before.

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