

The Commodities Feed: Risk-off move weighs on the market

Large parts of the commodities complex came under pressure yesterday as part of a broader risk-off move across global markets



Energy – US crude oil stocks rise

The oil market came under pressure yesterday, unable to escape the broader risk-off move across markets. Although ICE Brent settled 0.69% lower on the day, oil performed relatively well compared to other assets. Downward pressure continued in early morning trading today, following a bearish inventory report from the American Petroleum Institute (API).

API's numbers show that US crude oil inventories increased by 6.5m barrels over the last week, while crude stocks in Cushing grew by 400k barrels. Changes in refined product inventories were more supportive, with gasoline and distillate stocks falling by 5.7m barrels and 2.5m barrels, respectively. While bearish for crude, the release is supportive for refined product cracks.

Reports that Ukraine claimed to have struck Lukoil's Norski refinery in Russia offered further support to the refined products market, particularly middle distillates. Norski has a capacity of around 340k b/d. The combination of both recent sanctions and continued Ukrainian drone attacks on Russian refinery infrastructure is providing upside to the middle distillate market, with the ICE gasoil crack trading around US\$30/bbl.

European natural gas prices continued to show strength yesterday, with the Title Transfer Facility (TTF) settling 2.55% higher. EU gas storage remains stable at around 83%, below the 5-year

average of 92%. Prospects for lower wind generation and colder-than-usual weather in December provided a boost to the market. The EU gas balance remains vulnerable this winter, although it's clearly something that the market is not overly concerned about. This is evident from the lack of interest from speculators in the European gas market.

Agriculture– Coffee nears record highs

Arabica coffee extended gains for a fifth consecutive session with prices rising over 2% at one point yesterday amid a decline in stockpiles and supply concerns from Brazil due to dry weather conditions. Last week, rainfall in Brazil's main arabica coffee area was just 75% of the historical average, deepening concerns over crop health and global supply. A rally in Robusta prices amid concerns about a typhoon affecting the Vietnamese robusta crop provided further support to arabica.

Meanwhile, CBOT soybeans are witnessing some strength this morning, after China confirmed that it will suspend retaliatory tariffs imposed on US farm products. This was after the US reduced its fentanyl-related tariffs on China. China has started resuming its purchases of US soybeans following the meeting between President Trump and President Xi in South Korea last week. A resumption of purchases from China, will offer some relief to US farmers, who had become increasingly concerned over the absence of Chinese buying since March.

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