

## The Commodities Feed: Risk premium for oil diminishes

Crude oil prices slipped further on Tuesday, giving up nearly half of the gains made since the Hamas attack on Israel as the short-term risk premium somewhat diminished. The API numbers were constructive for the oil market



### Energy – Risk premium diminishes

ICE Brent prices slipped further yesterday and settled at around US\$88/bbl as the risk premium has diminished. Crude oil prices have given up nearly half of the gains made after the Hamas attack on Israel. The risk of an escalation can not be ruled out, but economic concerns weigh on prices in the short term.

The weekly report from the American Petroleum Institute was largely supportive for the oil market. The API reported that US crude oil inventories decreased by 2.7MMbbls over the last week, higher than the market expectations of around 0.5MMbbls. Cushing crude oil stocks are reported to have increased by 0.5MMbbls. On the products side, API reported that gasoline and distillates inventories fell by 4.2MMbbls and 2.3MMbbls, respectively.

The discount of Western Canada Select crude oil over the WTI benchmark increased to US\$24.5/bbl

this week, the biggest discount since January 2023, as crude oil supply from Canada continues to improve amid constrained pipeline capacity. After major supply disruptions over the second quarter of the year due to wildfires, crude oil production has been recovering steadily, increasing the availability of crude oil for shipments which, in turn, weighed on prices.

## Metals – China announces supportive measures

Metals prices, including SHFE copper, jumped higher today after China revealed supportive measures for the economy. China announced issuing around CNY 1tn (USD 137bn) of government bonds for natural disaster relief. At the same time, the government also revised up its fiscal deficit ratio to around 3.8% of GDP compared to an earlier target of around 3% set in March 2023. Higher spending by China on infrastructure and other measures could push up the demand for metals over the coming months.

In its latest estimates, The China Iron and Steel Association estimates that crude steel production in the country could drop in the fourth quarter of 2023 as mandatory production cuts to control emissions and the regular pollution constraints during winter months could weigh on steel production. The latest data from CISA also shows that daily crude steel production of its member companies dropped to around 2.04mt/day as of 20 Oct compared to around 2.07mt/day at the end of September.

## Agriculture – European wheat shipments remain soft

Weekly data from the European Commission shows that soft wheat exports for the season so far fell 22% YoY to reach 9.33mt as of 22 October, down from 12mt for the same period last year. The primary destinations for these shipments were Morocco, Nigeria, and Algeria. The availability of cheaper Russian supplies in the market has weighed on European wheat shipments. Meanwhile, EU corn imports dropped 40% YoY to 5.45mt in the season so far.

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