The Commodities Feed: Russia to extend oil export curbs

Crude oil prices have been trading firm this morning after Russia confirmed that it will extend export curbs, although the details are still not available. US natural gas inventory continue to increase at a strong pace providing some comfort to the market on natural gas supplies, even as uncertainty about Australian LNG continues

Energy – Russian oil export cuts to continue

ICE Brent prices traded firm yesterday and continued the gains this morning after Russia announced an extension of export curbs. Russia's Deputy Prime Minister Alexander Novak said in a televised meeting that the country has agreed to extend the export curbs, although the details haven't been provided yet. Russia made a voluntary cut to its oil exports of around 500Mbbls/d for August and 300Mbbls/d for September. Saudi is also likely to extend the voluntary production cuts of around 1MMbbls/d for October as demand concerns remain.

China has issued an export quota of around 12m tonnes for clean refined products including gasoline, jet fuel and diesel in its third quota release for the year. China has so far issued an export quota of around 40m tonnes for clean products in 2023 compared to around 37.25m tonnes of export quota allocated for the full year 2022. Slow domestic demand and a ramp-up in refining capacity have been creating a surplus of products in the Chinese market and a higher quota is aimed at reducing this surplus.

Finally, the Energy Information Administration in the US reported that natural gas inventory in the country increased by 32Bcf over the last week taking total inventory to 3,115Bcf as of 25 August. US inventory of natural gas is higher by around 484Bcf compared to year-ago levels and around 249Bcf higher than the five-year average for this point in the season.

Higher gas stocks in the US and Europe provide some comfort to the gas market when a short-term supply disruption from Australia cannot be ruled out. The uncertainty over the Australian gas supply from two LNG plants (Gorgon and Wheatstone) continues, with workers rejecting the latest pay package from the company with negotiations set to resume. Without an agreement in place, workers could initiate industrial action from 7 September.

Metals – Fresh stimulus from China for the property sector

Base metals prices extended this week's gains this morning as healthy economic data and fresh stimulus measures in China buoyed sentiment. Caixin manufacturing PMI in China increased to 51 in August compared to 49.2 in July; the market was expecting the PMI to remain around 49. This is the strongest manufacturing PMI number since February.

Meanwhile, Beijing has announced fresh stimulus measures aimed at supporting the property sector. The People's Bank of China has lowered the minimum downpayment for mortgages for both first-time buyers (from 30% to 20%) and second-time buyers (from 40% to 30%) while the minimum interest premium charged over the Loan Prime Rate has also been reduced. China is also allowing customers and banks to renegotiate interest rates on existing housing loans which could reduce interest expenses for borrowers.

LME continues to witness an inflow of copper into exchange warehouses. LME copper stocks increased by another 3,675 tonnes yesterday, taking the total inventory to a year-to-date high of 102.9kt. Meanwhile, cancelled warrants for copper remain near zero levels, hinting that there may not be any inventory withdrawals from LME in the short term and total stocks could continue to climb over the coming weeks. Europe witnessed an inflow of 2,700 tonnes yesterday whilst 950 tonnes were added in the Americas and 25 tonnes in Asia.

Gold prices have held steady at around US$1,940/oz as the latest economic data from the US eased some pressure on the Federal Reserve to continue with rate hikes. The core PCE (Personal Consumption Expenditure) deflator in the US increased at a flat 0.2% month-on-month in July, the second consecutive month at 0.2% which should help the Fed in getting inflation back on track to around 2%.

On the other hand, data from Europe was not that supportive with core CPI falling gradually from 5.5% to 5.3% and CPI estimates remaining flat at 5.3%. The focus is now turning to today's US non-farm jobs report which is expected to show a smaller rise in payrolls in August.

Agriculture – Supply concerns from Africa push cocoa higher

Cocoa prices made strong gains during August as supply concerns from West Africa continued to keep the market tight. London cocoa front-month contract settled at a fresh five-year high of GBP2,944/t yesterday. The weather has improved in recent weeks in West Africa including Nigeria, Ghana and Ivory Coast; however, crop development remains poor due to multiple factors including swollen-shoot disease and a supply shortage of fertilisers. Meanwhile, cocoa demand has been increasing in the US and Europe ahead of the winter and Christmas holidays.

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