The Commodities Feed: Russia-Ukraine escalation

Brent settled flat yesterday despite rising tension between Russia and Ukraine. Developments related to Iran's nuclear program likely countered some of the geopolitical risk

Source: Shutterstock

Energy – Iran counters Russia-Ukraine geopolitical risk

Despite an escalation in the Russia-Ukraine war, there has been limited impact on oil prices. ICE Brent settled almost flat yesterday, even after Ukraine fired a US-made long-range missile into Russia for the first time. At the same time, Russia also updated its nuclear doctrine, widening the scope for the use of atomic weapons.

Eating into some of the geopolitical risks related to Russia-Ukraine were reports that Iran offered to stop increasing its stockpiles of uranium enriched up to 60%. The International Atomic Energy Agency has said Iran has taken the first steps to cap production. If this occurs, it removes some supply risks related to Iranian oil when President-elect Trump enters office.

In the North Sea, the Johan Sverdrup field has resumed operations after a power outage led to a halt in production on Monday. The field produces around 755k b/d but will take some time to return to full capacity.

Numbers from the API overnight show that US crude oil inventories increased by 4.8m barrels over the last week, compared to expectations for a marginal draw. For refined products, gasoline and distillate stocks fell by 2.5m barrels and 700k barrels respectively. The more widely followed EIA report will be released today.

Metals – LME lead stocks surge

LME lead stockpiles surged to the highest level since 2013 yesterday after a second consecutive day of big inflows into the exchange's sheds in Singapore. Singapore now accounts for 98% of LME lead inventories. Total LME inventories jumped by more than 49% in the last two days alone. Lead is one of the worst performers on the LME this year, with prices down around 3% year-to-date and weak auto sales weighing on demand for the battery metal. The global lead market is set to see another surplus this year. The global supply of refined lead will exceed demand by 40,000 tonnes in 2024, according to the International Lead and Zinc Study Group (ILZSG).

The latest LME COTR report released yesterday shows that investors decreased their net bullish position in copper by 10,315 lots to 58,398 lots for the week ending 15 November. This is the lowest net long since 19 January 2024. Similarly, net bullish bets for zinc fell by 2,737 lots to 27,072 lots, the lowest since the week ending 6 September 2024.

Agriculture – Wheat surges on Russia-Ukraine tensions

CBOT wheat futures extended their upward rally, settling 2% higher yesterday. This followed rising tension between Russia and Ukraine and renewed threats of supply disruptions.

Weekly data from the European Commission shows that EU soft-wheat exports for the 2024/25 season dropped to 8.8mt as of 17 November, down 31% YoY. Rising competition from Russia and a poor harvest in France has weighed on export volumes. Meanwhile, EU corn imports stand at 7.6mt, up 11% YoY and are due to weaker domestic supply this season.

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