

## The Commodities Feed: Russian aluminium dominates LME stocks

Oil prices came under pressure yesterday with a bearish EIA inventory report, while European gas prices found some support given developments in the Red Sea. Meanwhile, the share of Russian aluminium in LME warehouses continues to grow, which could become a concern for the LME



### Energy - Large US oil builds

Oil prices fell yesterday after the EIA reported an unexpected build in crude oil inventories over the last week. However, tension in the Middle East continues to grow with the Houthis launching a large missile and drone attack in the Red Sea. The attack targeted both commercial vessels and warships, but reports suggest that there was no damage to vessels or injuries.

EIA weekly inventory data shows that US commercial crude oil inventories increased by 1.34m barrels over the week, which was quite different to the 5.2m barrel draw the API reported the previous day. While crude oil imports fell by 654k b/d WoW, exports fell by 1.9m b/d, which led to the build. Refinery activity also slowed slightly over the last week with utilisation rates falling from 93.5% to 92.9%. Despite this lower activity, there were significant builds in product stocks. Gasoline and distillate stocks increased by 8.03m barrels and 6.53m barrels respectively. With gasoline stocks standing at almost 245m barrels, they are hovering above the 5-year average. Meanwhile, distillates have now seen seven consecutive weeks of increases, which has seen stocks build by

26.8m barrels over this period. However, distillate stocks are still trending below the 5-year average. Overall, the EIA's report was bearish with large builds in crude and product stocks.

European gas prices were relatively well supported yesterday with TTF settling just shy of 1% higher, ensuring the market remains above EUR30/MWh. The barrage of attacks in the Red Sea by the Houthis would have provided some support. Obviously, with Europe more reliant on LNG imports since the Russia/Ukraine war, the European market will be more vulnerable to developments in the LNG market. The flows towards Europe which are at most risk from these attacks would be Qatari LNG flows. In 2023, about 12% of European LNG imports came from Qatar.

There is little on the energy calendar today. We will get refined product inventory numbers for the ARA region from Insights Global, while Singaporean weekly refined product inventory data will be published. On the gas side, the EIA will release its weekly storage data report. The market is expecting US gas storage to have fallen by around 122bcf over the last week, higher than the 5-year average of an 89 bcf decline.

## Metals - Russian aluminium surges to 90% of LME stocks

Just above 90% of aluminium in the LME's warehouses was of Russian origin at the end of December. This is up from less than 10% before the start of the war in Ukraine and an increase from just under 80% at the end of November, the latest LME data showed. Russian metal accounted for the entire increase in LME's stocks in December.

LME aluminium stockpiles have risen by more than a quarter over the past month, partly due to the newly implemented UK sanctions on Russia's metal industry.

If the share of Russian aluminium on the LME continues to grow, this could ultimately lead to action from the exchange. If the LME bans Russian metal, this will likely be bullish for the metal. However, for now, the expectation is that the LME will take no action unless targeted sanctions are adopted by governments. The LME had previously said that it would be guided by the extent to which Russian metal continues to be consumed by physical market participants. Aluminium has had a disappointing start to 2024, with LME prices falling more than 6% so far this year.

## Agriculture – CONAB reduces Brazilian output estimates

Brazil's agriculture agency, CONAB, has reduced its soybean and corn production estimates for the 2023/24 season following unstable weather conditions that are delaying the planting and development of these crops. In its monthly report, CONAB estimates domestic soybean production to reach 155.3mt in 2023/24, largely in line with the market expectation of 155.4mt, but lower than its previous estimate of 160.2mt. Corn production estimates were revised down to 117.6mt for 2023/24 compared to 118.5mt previously.

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