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COMMODITIES DAILY

The Commodities Feed: Sentiment remains positive

Sentiment in energy markets remains constructive with fundamentals set to tighten in the oil market, while supply risks are a concern



Energy – US crude stocks edge lower

Sentiment in the oil market remains positive, which saw Brent continue to edge higher yesterday. Supply risks surrounding Russian refined products continue to provide support at a time when the market is set to tighten following the rollover of additional voluntary cuts from OPEC+ into 2Q24. This expected tightening is reflected in the forward curve which is trading in deeper backwardation.

Numbers released by the API overnight were fairly neutral. US crude oil inventories are estimated to have fallen by 1.52m barrels over the last week, which is similar to the roughly 1m barrel draw the market was expecting. In addition, the API reported that Cushing crude oil stocks increased by 325m barrels. On the products side, gasoline inventories fell by 1.57m barrels, while distillate stocks increased by 0.5m barrels over the week. The more widely followed Energy Information Administration (EIA) report will be released later today.

The amount of Russian refining capacity estimated to be impacted by Ukrainian drone attacks varies, but estimates suggest at least 600k b/d has been affected. While this has provided support to the market, in theory, it suggests that Russian crude oil export availability is likely to increase as domestic refiners reduce run rates. If these disruptions are prolonged, it could eventually force Russian producers to reduce supply if they are unable to export all of this

crude oil. These attacks are more bullish for refined products in the immediate term.

European natural gas remains relatively well supported following its recent run higher. Front-month TTF remains above EUR28/MWh. The recent move higher comes despite very comfortable storage levels and the end of the heating season quickly approaching. EU gas storage is a little under 60% full- record highs for this time of year. However, the gas market appears to have been supported by the recent strength in the crude oil market, while supply cuts at the Freeport LNG facility in the US will also have provided support. Given the comfortable fundamentals, we believe the strength we have seen in prices will be relatively short-lived.

Metals – Speculators boost their buying

The latest LME COTR report released yesterday shows that investors increased their net bullish position in copper by 2,217 lots to 79,694 lots in the week ending 15 March, primarily driven by the growing bullish sentiment in light of tightening supply conditions. This is the largest net long for copper since October 2020. A similar move has been seen in aluminium, with speculators increasing their net long by 9,050 lots to 114,890 lots over the last reporting week.

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