

## The Commodities Feed: Sentiment weakens

Large parts of the commodity complex came under pressure yesterday. The sell-off was led by energy. European gas prices fell with ample storage, while for oil there are more signs of a softer market



### Energy - European gas slides lower

Oil came under significant pressure yesterday with ICE Brent settling 3.35% lower on the day. The [Saudi cut in official selling prices](#) for February loadings would have done little to help sentiment as the reductions suggest a softer market. If weakness persists, it is difficult to see how OPEC+ would be able to make more meaningful output reductions, given the scale of their cuts already. What we are more likely to see is a rollover of current voluntary cuts into 2Q24 to erode the surplus expected next quarter.

Natural gas prices also saw plenty of weakness yesterday. TTF fell 8.44% yesterday. This is despite a cold snap across parts of Europe at the moment. European storage remains more than 84% full, which is very comfortable for this time of the year.

The Dutch government yesterday said it will resume minimal production at the Groningen gas field

due to cold temperatures this week. This move, which is referred to as a “pilot light”, allows minimal production to resume if average temperatures over a 24-hour period fall below -6.5 degrees Celsius. This is a preparatory step which would allow for actual production in an emergency. The Groningen gas field has seen output gradually reduced in recent years and finally stopped in October last year due to earthquake activity. While the field stopped producing it has been kept in operational mode in case supplies are needed.

On the calendar for today, the EIA will release its Short-Term Energy Outlook, which will include its latest US oil production forecasts for 2024 and its first forecast for 2025. Last month, the EIA expected US crude oil output to grow by 190k b/d in 2024 to a record 13.11m b/d. This will be followed by the API's regular weekly US inventory report.

## Metals – LME aluminium inventories rise

LME aluminium has fallen more than 5% so far this year with prices extending declines for a fifth consecutive session yesterday. The weakness is partially driven by a rise in LME inventories. Recent LME data shows that exchange inventories of aluminium rose by 10,925 tonnes to 569,100 tonnes as of yesterday, the highest since 14 June. Most of the additions were reported from warehouses in Taiwan.

Aluminium stocks have already seen net inflows of 89,675 tonnes in the last month alone, primarily due to the implementation of new UK sanctions targeting Russia. This has caused traders to rush to deliver Russian metal to the LME. The UK is so far the only country in Europe to adopt such measures. This could prompt the exchange to re-open the discussion on whether it should ban deliveries of Russian metal. Just below 80% of the aluminium on the LME was of Russian origin at the end of November. 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 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.

## Agriculture – Cocoa prices fall

ICE Cocoa futures fell to their lowest level since mid-November yesterday following prospects for better weather conditions in Africa. Rainfall in recent days in the Ivory Coast has helped plants to flower and improve the condition of cocoa trees that have suffered from the harmattan season (which lasts from the end of November until mid-March). Forecasts for rainfall in Ghana over the upcoming days might also be helpful.

Ukraine's Agriculture Ministry reported that total grain exports for the season fell 18% YoY to 19.4mt as of 8 January. These shipments include 10.3mt (-22% YoY) of corn and 7.8mt (-9% YoY) of wheat. However, Ukraine has still managed to deliver large volumes of exports through the Black Sea port corridor route despite continuous attacks by Russia, Ukraine has loaded around 430 vessels with 13mt of products (10mt of agriculture products) since August 2023.

The USDA's weekly export inspection data for the week ending 4 January shows that US exports of corn and wheat remained strong while soybean shipments slowed over the last week. US weekly inspections of corn for export stood at 856.6kt, up from 569.9kt in the previous week and 402.1kt reported a year ago. Similarly, export inspections for wheat stood at 491.1kt over the week, up from 276.4kt in the previous week and 209.5kt reported a year ago. Meanwhile, US soybean export inspections fell to 674.7kt compared to 969.5kt a week ago and 1,460.8kt seen a

year earlier.

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