

The Commodities Feed: Supply fears ease

The risk premium in oil continues to erode. However, tight fundamentals mean that the outlook remains constructive



Energy - oil risk premium eroding

The oil market gave back more of its post-Israel attack gains yesterday with ICE Brent settling a little more than 2% lower on the day. This takes it back below US\$86/bbl. The risk premium continues to erode with the conflict largely contained to Israel and Hamas. Reports that the Iranian government was surprised by the Hamas attack may also ease concern that the US will enforce sanctions against Iran more aggressively, although there have been conflicting reports in recent days regarding Iran's involvement.

Unlikely to help sentiment this morning are API inventory numbers, which show that US crude oil inventories increased by 12.94MMbbls over the week. Lower refinery run rates due to maintenance likely contributed to this build. Meanwhile, gasoline inventories are reported to have increased by 3.65MMbbls, while distillate stocks fell by 3.54MMbbls. Falling distillate stocks from already low levels as we head into the winter will be a concern for the market. The more widely followed EIA report will be released later today.

The EIA's latest short-term energy outlook shows that US crude oil output is expected to grow by 1.01MMbbls/d YoY to a record 12.92MMbbls/d in 2023. This is 140Mbbbls/d higher than the forecast from last month. Meanwhile, for 2024, supply growth is expected to be much more modest, growing by just 200Mbbbls/d YoY to 13.12MMbbls/d.

There is quite a bit on the energy calendar for today. Both the IEA and OPEC will be releasing their monthly oil market reports. Last month both reports highlighted a tightening market through until year-end, and we would expect little change in this view.

Metals - LME copper on-warrant stocks rise

LME on-warrant copper stockpiles rose by 8,150 tonnes yesterday to 177,125 tonnes, the highest since 25 August 2021. Most of the inflows were reported from warehouses in the Netherlands and Germany. Net inflows for the month total 12,350 tonnes, compared to inflows of 31,575 tonnes during the same period last month. Meanwhile, exchange inventories increased for a sixth straight session to 179,675 tonnes, the highest since 18 October 2021.

The latest SMM survey shows that China's copper cathode production rose 11.3% YoY and 2.3% MoM to 1.01mt in September as domestic smelters boosted production levels ahead of the National Day holidays in October. Cumulative copper output increased 11.5% YoY to 8.5mt over the first nine months of the year.

Among other metals, Chinese primary aluminium production rose 5.5% YoY to 3.5mt last month, while year-to-date output rose 3.1% YoY to 30.8mt. The rise in output was primarily driven by the ongoing commissioning of capacity transfer projects in regions such as Yunnan and Guizhou.

Agriculture – Ukraine grain shipments fall

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2023/24 season stood at 7.42mt as of 11 October, a decline of 28% YoY. This includes wheat exports of 3.76mt (in line with last year's exports) and corn shipments of 2.9mt, down 48% YoY.

Brazil's total coffee exports fell 4.3% YoY to 3.03m bags (60 kg) in September, according to data released by Cecafe Group. The group said that the Arabica coffee exports declined 20% YoY to 2.4m bags as producers are not ready to sell at lower prices. In contrast, Robusta coffee exports rose to 624k bags from 149k bags a year earlier.

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