

## The Commodities Feed: The complex buckles

There was a broad risk-off move across the commodities complex yesterday, with energy, metals and agri all coming under pressure. Volatility in the energy market continues and is unlikely to subside anytime soon given the level of uncertainty in both the oil and gas markets



Source: Shutterstock

### Energy- Brent trades back below \$100/bbl

Brent sold off sharply yesterday and settled 5.5% lower on the day. We are seeing a bit of a relief rally in early morning trading in Asia today, which shouldn't be too much of a surprise after the scale of yesterday's move. The Nov'22 contract is now trading below the 50-day moving average, though it seems like the 200-day moving average is providing some relatively good support. It is difficult to pin the sell-off to a specific catalyst, given the broad weakness seen across the complex. However, there was a report/rumour that the US and Iran have reached an agreement on the nuclear deal, which would be announced in the next 2 to 3 weeks. The report cites a former IAEA official. However, with no corroboration elsewhere, we are currently viewing this report as no more than a rumour.

Numbers overnight from the API show that US crude oil inventories rose by 593Mbbbls, while on the refined products side, gasoline and distillate stocks are reported to have declined by 3.41MMbbbls and 1.73MMbbbls respectively. The large product draws and limited build in crude stocks mean that the report overall was fairly supportive. The more widely followed EIA numbers will be released later today.

European natural gas prices continued their sell-off yesterday. TTF fell by a further 9.3%, likely due to uncertainty over what intervention the European Commission takes in the power market. While there is little detail on the form of intervention, in the short term at least, we are likely to see some gas/power price cap when it comes to power generation.

Today will also see Russian gas flows along Nord Stream come to a halt, with 3 days of maintenance at the compressor station set to start. The market will nervously await the scheduled resumption of flows later in the week. As for EU inventories, storage is now 80% full, which is well ahead of the European Commission's target date of 1 November. Given the uncertainty over Russian flows, we expect member states will continue to build inventories.

## Metals- China supply fears ease

Copper, along with other base metals, fell sharply yesterday as Covid restrictions in China continued to haunt metals demand. Chinese supply fears also eased slightly with smelters restarting operations. A decline in European energy prices would have also helped ease fears of further aggressive output cuts by metal smelters in the region. Though Alcoa announced yesterday that it would reduce production at its Lista aluminium smelter in Norway by one-third due to high energy prices. The cuts equate to around 31ktpa of capacity.

Reports indicate that Tongling Nonferrous Metals Group Co. has resumed operations after the local government resumed electricity supply to the copper producer. Operations at plants including Jinlong and Aolu (with a combined capacity of ~650ktpa) were impacted due to electricity supply cuts amid the power crunch earlier this month.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).