

The Commodities Feed: US inflation data in focus

The broader commodities complex is awaiting the release of US inflation data scheduled later this week



Energy – European natural gas trades strong

Crude oil prices have been trading flat this morning after recovering back to \$86.75/bbl yesterday amid ongoing supply concerns. The Joint Ministerial Monitoring Committee of OPEC+ will be meeting next week, and the committee is unlikely to recommend any changes to the current production cuts agreement until the end of second quarter of this year. Meanwhile, uncertainty over Venezuelan supply lingers as the current sanction relief comes to an end in April 2024, and the US is yet to decide on further relief. Media reports suggest that some buyers, including India, have already started cutting oil purchases from the country amid the uncertainty.

European natural gas extended the upward rally for a second consecutive session, with prices rising to the intra-day highs of EUR29/MWh yesterday on concerns over tightening supplies. Reports suggest that Russia's recent drone attack targeted an underground gas storage facility in western Ukraine. However, there are no reports of major damage to the underground storage facility. This led to supply jitters in the market. The European gas market remains well-supplied currently, with tanks at 59% full compared to a seasonal average of around 42%.

Metals – Yunnan Province cuts electrolytic aluminium output

Dry weather in China's Yunnan province has affected aluminium producers, forcing them to reduce production levels. The Yunnan province has been dealing with power restrictions since last November, with aluminium gradually reducing output levels. It is estimated that roughly 400kt of local aluminium production was cut by the end of February. The rainfall is expected to remain low in the region for the next two months, which might impact the pace of planned production resumption for aluminium smelters. The Ministry of Water Resources initiated a Level IV emergency response for drought prevention in Yunnan and Sichuan provinces on 22 March. Meanwhile, the electrolytic aluminium industry in Yunnan has been growing since 2018, with production capacity reaching 6.1mt, and is expected to exceed 8mt once all the ongoing projects become operational.

Agriculture – EU slashes winter crop yield estimates on dry weather

In its monthly crop monitoring Mars report, the European Commission said that the winter crops were negatively affected in most of the growing regions in Europe due to bad weather and are expected to be resown along with spring or summer crops. Persistent dry weather conditions negatively impacted the crop yield projections in Southern Europe. Although, total wheat yield estimates stood at 5.7t/ha for 2024, compared to 5.6t/ha last year and the five-year average of 5.65t/ha.

The USDA's weekly export inspection data for the week ending 21 March shows that the US exports for soybean remained strong, while corn and wheat shipments slowed over the last week. US weekly inspections of soybean for export stood at 768.7kt, up from 700.2kt in the previous week but lower than the 892.9kt seen last year. For wheat, export inspections stood at 315.4kt over the week, down from 394.5kt in the previous week and 403.9kt reported a year ago. Similarly, US corn export inspections fell to 1,228kt compared to 1,326.3kt a week ago; however, they rose from 688.4kt seen a year earlier.

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