# The Commodities Feed: US macro weighs on the complex

The commodities complex came under pressure yesterday with a weaker-than-expected US ISM manufacturing index reading. This will only add to demand worries. However, geopolitical risks remain an upside risk for energy markets

## Energy – JMMC recommends no change to oil policy

Oil prices came under pressure yesterday. ICE Brent fell back below US$80/bbl despite geopolitical tensions still simmering in the Middle East after the assassination of the political leader of Hamas. As has been the case since 7 October 2023, while tensions have built, it has had little to no impact on oil supply. The biggest disruption has been the rerouting of tankers to avoid the Red Sea given ongoing Houthi attacks on vessels. However, the more Iran gets directly involved, the more risks of oil supply disruption grow. Another factor which has provided some comfort to the market in recent months has been the spare production capacity that OPEC sits on.

For now, the market continues to try to balance these supply risks with the negative sentiment driven by demand concerns. Weaker Chinese demand has been on the radar for some time now and weaker-than-expected macro data from the US will only add to these demand concerns. We may be at a stage where bad news is no longer good news for risk assets, evident in yesterday's price action in oil, metals and equities, following weak US data.

The OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting played out as widely expected yesterday. The committee recommended no changes to output policy for the wider group. In the statement from OPEC, the JMMC reiterated that the gradual phase-out of supply cuts from October 2024 could be paused or reversed depending on market conditions.

Refined product stocks in the ARA region fell by 57kt week-on-week to 5.81mt. Jet fuel, fuel oil and naphtha drove the declines, falling 58kt, 30kt and 10kt, respectively. Gasoline and gasoil stocks increased 37kt and 4kt, respectively. In Singapore, oil product stocks also fell by 1.34m barrels WoW to 45.31m barrels. The decrease was driven by light distillates and residues, which fell 1.34m barrels and 300k barrels, respectively. Middle distillates inventories increased by 301k barrels WoW.

European natural gas prices rallied to their highest level this year with TTF briefly trading above EUR37/MWh. Tensions in the Middle East would have provided a boost, while LNG flows into Europe have been lower in recent months. Spot Asian LNG has traded at a premium to TTF basically since early March (and this spread has trended higher over this period), supporting a redirecting of spot LNG from Europe to Asia. However, EU gas storage is more than 85% full, above the five-year average of 76% full.

In the US, Henry Hub front month futures sold off, settling a little more than 3.3% lower, which saw prices close back below US$2/MMBtu. The weakness comes despite the EIA's weekly storage report showing that US natural gas inventories increased by 18Bcf, lower than expectations for a 31Bcf build and also below the five-year average build of 33 Bcf for this time of year.

## Metals - LME nickel inventories surge

Nickel LME inventories rose by 4,764 tonnes to 109,950 tonnes as of yesterday, the highest since 8 December 2021 and the largest daily addition since 14 April 2021. Most of the inflows were reported into warehouses in South Korea and Taiwan, the closest delivery points for Chinese producers. Since the start of the year, LME nickel inventories have surged more than 70% fuelled by deliveries of Chinese and Russian metal. Meanwhile, Indonesia-origin refined class 1 nickel is likely to arrive in LME warehouses soon following the exchange's approval of the country's first LME-deliverable nickel. We believe LME nickel stocks are likely to increase further this year.

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