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COMMODITIES DAILY

# The Commodities Feed: USD supports the complex

Much of the commodities complex was supported by further weakness in the USD yesterday, while for oil, rising geopolitical tension and expectations of OPEC action provided further support

## Energy - USD pushes oil higher

The oil market managed further gains yesterday. ICE Brent settled 2.12% higher on the day. Growing expectations that we will see some action taken by OPEC+ at their upcoming meeting this weekend are providing support. Speculators will not want to go into this weekend with sizeable short positions. Given expectations, we will likely have to see at least Saudi Arabia rolling over their additional voluntary cut into 2024. Rising geopolitical tension provided a further boost to the market with an Israeli-owned ship taken by Houthi rebels, who are backed by Iran. The Houthis have said that Israeli ships will continue to be a target as long as Israel's operation against Hamas continues. And a final supportive factor, not just for oil, but the broader commodities complex has been the weakness of the USD.

The very low sulphur fuel oil (VLSFO) market continues to see some strength amid an ongoing outage at the 615Mbbls/d Al Zour refinery in Kuwait, which produces a large volume of VLSFO. The refinery experienced a disruption to its fuel supply last week and expectations are that it will take a couple of weeks for the refinery to return to full operations. The Hi-5 spread (VLSFO-

HSFO) in Europe has strengthened considerably over the last 2 months, rising from around $60/t in late September to around $115/t currently.

European gas storage continues to decline at a very slow pace with storage 99% full, down from a peak of 99.63% back in early November. Storage remains at record levels for this time of year. Despite very comfortable storage, TTF prices remain relatively well supported, trading above EUR45/MWh. Asian LNG continues to trade at a premium to European prices, which is providing some support, while the market is likely to remain at elevated levels through much of the winter to ensure adequate storage by the time we get to the end of the 23/24 heating season.  European spark spreads remain in firmly negative territory through December and 1Q24.

## Metals – Global aluminium output rises

Recent numbers from the International Aluminium Institute (IAI) show that average daily global primary aluminium output stood at 197.3kt in October, remaining almost flat from 197.4kt reported a month earlier. Total monthly output rose 3.9% YoY (+3.3% MoM) to 6.12mt last month. This leaves cumulative output at 58.6mt in the first ten months of the year, up 2.1% YoY. Chinese output is estimated to have increased 5.5% YoY (+2.8% MoM) to 3.65mt in October, while year-to-date production rose 3.2% YoY to 34.6mt. Production in Western and Central Europe continued to remain weak and fell 2.5% YoY to 230kt, while year-to-date output fell 8.1% YoY to 2.3mt. Meanwhile, aluminium production in Asia (ex-China) rose 1.8% YoY to 401kt in October.

First Quantum Minerals has said that it may have to shut its Cobre Panama mine later this week if an ongoing port blockade continues to disrupt deliveries. On Monday, the company said that it had stopped a second-ore processing train, a week after stopping the first. The ongoing protest started in August following a recent government decision to extend First Quantum's contract for the Cobre Panama mine for another 20 years.

Recent LME data shows that total on-warrant stocks for lead declined by 17,025 tonnes to 76,525 tonnes yesterday, the lowest since 4 October. The majority of the decline was reported in Asian warehouses (particularly in Busan, South Korea). Readily available stocks have witnessed net outflows of 57,775 tonnes in the last three sessions alone. Meanwhile, cancelled warrants for lead rose for a third consecutive session to 59,400 tonnes, while total exchange inventories remained unchanged at 135,925 tonnes.

## Agriculture – Uganda’s coffee shipments rise

The latest data from the Uganda Coffee Development Authority shows that Uganda’s coffee exports rose 3.4% YoY to 470,080 bags (60 kg bag) in October. The improved harvest in the southwest region and higher global prices are primarily responsible for the stronger shipments.

Ukraine's Agriculture Ministry expects the winter wheat harvest to rise to 18mt-20mt, as wheat plantings are running at a better pace than the previous year. However, the concern for Ukraine continues to be around shipping grains to the world market, following the suspension of the Black Sea Grain Initiative earlier this year.

Weekly export inspection data from the USDA for the week ending 16 November shows that US wheat shipments rose while corn and soybean exports slowed over the last week. US weekly inspections of corn for export stood at 553.9kt, down from 707.4kt in the previous week but up from the 499.1kt reported a year ago. Export inspections for soybean stood at 1,609.4kt over the week, much lower than 1,940.1kt in the previous week and 2,493.7kt reported a year ago. Meanwhile, US wheat export inspections rose to 358.3kt, compared to 222.6kt a week ago and 291.4kt from a year ago.

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