

Article | 21 November 2023

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 615Mbbbls/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.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@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

THINK economic and financial analysis

States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.