

Article | 11 October 2024

COMMODITIES DAILY

The Commodities Feed: Volatility continues for the energy market

Oil prices continue to be volatile with ICE Brent recovering sharply yesterday amid Middle East tensions. Meanwhile, natural gas prices in the US regained strength on worries over a shrinking supply surplus ahead of winter



Energy – US natural gas recovers

Oil prices recovered yesterday as the market switched back to focusing on supply concerns. Over the past few sessions, the oil market has been constantly vacillating between demand and supply concerns making for a highly volatile period. The market awaits any potential Israeli retaliation against Iran for missile attacks. While the US and other Gulf nations have been pushing for Israel not to target oil infrastructure, this can't be ruled out completely.

The latest refined products inventory data from Insights Global indicates that gasoil stocks in the ARA region decreased by 118kt week-on-week to 2.3mt for the week ending on 10 October. Similarly, fuel oil inventories fell by 137kt to 1.24m barrels over the reporting week. In contrast, gasoline inventories in the region rose by 122kt over the week to 1.1mt. In Singapore, total oil product stocks fell by 453k barrels WoW to 4.24m barrels over the week ending 9 October. The decline was led by light distillate stocks falling by 1.1m barrels over the week to

14.2m barrels for the above-mentioned period. However, a rise in the residual fuels inventory helped to limit the overall decline.

US natural gas edged higher yesterday despite a bearish weekly inventory report EIA. The weekly data shows that US gas storage increased by 82Bcf last week, higher than the 72Bcf increase the market was expecting. However, this was well below the five-year average increase of 96Bcf. Total gas stockpiles totalled 3.63Tcf as of 4 October, which is just 3.5% above last year and 5.1% above the five-year average. Meanwhile, restoration efforts for the power supply in Florida are likely to support demand for gas in local power plants.

Metals – Russian share of aluminium on the LME falls

The latest data from the LME showed that the share of Russian aluminium stored in LME warehouses fell slightly to 66% in September, compared to 67% a month earlier. However, the volume of Russian aluminium in LME warehouses rose to 258,525 tonnes, up from 232,350 tonnes. While the volume of Russian material in LME warehouses rose, the proportion fell amid rising inflows of Indian-origin metal. Volumes of Indian metal rose to 126,625 tonnes, up from 107,050 tonnes.

Meanwhile, in a separate data release, the LME reported that the queue to withdraw aluminium from Istim UK Ltd. warehouses in Malaysia's Port Klang fell to 251 days at the end of September, down from 293 days a month earlier. LME aluminium inventories in Port Klang stood at 567,225 tonnes as of yesterday, down by more than 300,000 tonnes since the peak in May.

Recent data from the Chilean copper commission Cochilco shows that Codelco's total copper production rose 10.1% year-on-year (+12.5% month-on-month) to 125.3kt in August. However, cumulative output fell by 6.3% YoY to 864.8kt over the first eight months of the year, primarily due to delays in structural projects. However, BHP's Escondida copper mine reported gains of 15.5% YoY to 105.3kt in August, while year-to-date production rose by 12.8% YoY to 826.2kt in the first half of the year. Meanwhile, output at the Collahuasi mine fell 11.3% YoY to 48.8kt for the period.

Agriculture – Weather concerns and geopolitical tensions boosts wheat

CBOT wheat futures extended their upward rally for a fifth straight session this morning amid weather disruptions in one of the top-growing countries, Argentina, along with growing tensions between Russia and Ukraine. Meanwhile, excessive rain has slowed down the harvest and sowing in Western Europe, while dry weather conditions in Russia have also hampered the plantings.

In its weekly report, the Buenos Aires Grain Exchange lowered Argentina's wheat production

forecast to 19.5mt for the 2024/25 season, down from 20.5mt estimated earlier. However, it is still 31% higher than the previous season. The decline in production estimates is largely due to continuous heat waves impacting wheat yields. Meanwhile, the dry conditions in the country have also impacted the early corn plantings significantly, while some farmers intend to shift from corn plantings to soybean. However, sowing estimates for both crops remain unchanged (corn plantings seen at 6.3m hectares), while corn plantings were reported to be 18.6% complete as of 10 October, higher than 13.7% seen at the same stage last year.

USDA released its weekly grains export sales report which shows that US grain sales remained weak for the week ending 3 October. Weekly export sales of corn were down to 1,222.1kt for the week, lower than the 1,684.1kt a week ago and 2,427.4kt the same period last year. This was also lower than the average market expectations of 1,291kt. Similarly, soybean exports fell to 1,255.9kt, lower than the 1,444.5kt reported a week ago but higher than 808.5kt a year ago. The market expected a number closer to 1,369kt. Meanwhile, US wheat shipments stood at 439.1kt, lower than the 443.7kt reported a week ago but higher than 273.1kt reported a year ago and the average market expectations of 400kt.

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