

## The Commodities Feed: Weaker USD pushes the complex higher

USD weakness provided a boost to the commodities complex yesterday, with both energy and metals pushing higher. Record US crude oil exports over the last week appear to have provided further support to oil prices



### Energy- record US crude oil exports

The latest data from the EIA shows that US commercial crude oil inventories increased by 2.59MMbbls over the last week, though when factoring in SPR releases, total US crude oil inventories declined by 829Mbbbls. The build in commercial inventories comes despite the US exporting a record 5.13MMbbls/d of crude oil over the last week, an increase of 991Mbbbls/d WoW. Refined product exports also grew, helping total petroleum exports (crude and refined products) to grow by 1.96MMbbls/d WoW to a record 11.43MMbbls/d. As for refined product inventories, gasoline stocks fell by 1.48MMbbls, while distillate stocks increased by a marginal 170Mbbbls. However, the US distillate market is still in a tight situation as we head into winter, particularly on the US East Coast.

According to a Bloomberg report, the US is rethinking the severity of the proposed G-7 price cap on Russian oil. Instead of a strict price cap, the cap may be more loosely imposed and also at higher

levels than originally pushed for. In addition, the cap will likely be followed only by G-7 members, Australia and possibly South Korea. The effectiveness of a potential price cap has been called into question since it was first proposed. Firstly, it will be difficult to get key buyers, China and India to follow the cap. And there is always a risk that Russia reduces supply as a result. Obviously, that would have the opposite effect of what the US is trying to achieve.

## Metals – more calls for sanctions on Russian metal

Norsk Hydro, the largest aluminium smelter in Europe, is calling for sanctions to be imposed on Russian metals. Russian aluminium is currently not sanctioned in the US or Europe, although some European buyers are shunning Russian material in next year's contracts. Norsk Hydro won't agree to any new Russian metal, while Novelis Inc. has excluded Russian supply from a key tender for new contracts to supply its European factories next year. Last month, Alcoa Corp., the largest US aluminium producer, wrote in a letter to the London Metal Exchange, that Russian metal shouldn't be traded on the bourse.

European aluminium smelters continue to operate at lower rates or remain idle amid surging energy costs. It is estimated that over 1mt of aluminium capacity has been impacted due to surging energy costs in Europe.

Refined copper output in China rose 5.8% YoY to 946kt in September, according to the latest data from the National Bureau of Statistics (NBS). Zinc output rose 3.7% YoY to 583kt while lead production increased 10.9% YoY to 672kt last month.

Peru's Espinar community will start protests against Glencore's Antapaccay copper mine on 7 November, as the mine is not fulfilling its commitments to the community, according to media reports. The community leaders warned that they would block the southern mining corridor affecting Antapaccay, Hudbay and MMG's Las Bambas copper mine.

## Agriculture- temporary halt to Black Sea corridor exports

CBOT wheat futures edged higher yesterday, receiving a boost from the recent halt in exports from Ukraine's Black Sea corridor along with concerns over the US winter wheat crop. According to reports, ship traffic was temporarily halted in the Ukraine corridor as a suspicious object had been identified. This has once again raised concerns over the growing backlog of vessels which were scheduled to export grains through the corridor before the deal expires on 19 November- although obviously, the idea is to extend the export deal.

The International Sugar Organization (ISO) expects the global sugar market balance to remain in a supply surplus of 5.6mt in 2022/23. Total sugar output is expected to grow by 7.8mt (highest in five years) to reach 181.9mt in 2022/23, while consumption is forecast to remain almost flat at 176.3mt. The group expects sugar production in India, Thailand and Central America to remain healthy in 2022/23. However, sugar exports from Brazil could be affected by rains that have already delayed the harvesting process in Center-South.

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