

The Commodities Feed: Wheat surges

Wheat prices rose yesterday as concern mounted for Ukrainian exports following Russia's latest attack on a number of Ukrainian cities. The oil market appears to have shrugged off growing tensions and instead seems focused on the weaker macro outlook



Energy- oil rally fades

Oil prices corrected lower after last week's significant move higher. The above-consensus US jobs report at the end of last week has reinforced expectations that the Fed will hike by 75bps at its next meeting, and this has put pressure on most risk assets, including oil. ICE Brent settled almost 1.8% lower yesterday. It appears that, after digesting the recent OPEC+ cuts, the market is once again focused on central bank policy and what it means for the demand outlook.

The oil market even seemed to shrug off Russia's latest attacks on a number of Ukrainian cities, including Kyiv. This lack of reaction is likely due to the limited potential actions the West could take to further hit Russian oil exports. Already, a number of countries have sanctioned Russian oil, whilst the EU ban comes into force later this year. While there is always the potential for secondary sanctions on Russian oil, this is something that the US and other countries are unlikely to pursue given the tighter oil outlook (particularly after the recent OPEC+ cuts) as well as the fact that the US has been pushing a price cap on Russian oil to keep Russian oil flowing, whilst simultaneously trying to limit oil revenues for Russia.

Metals – copper spreads strengthen

Whilst the bulk of the metals complex came under pressure yesterday due to a stronger US dollar, LME copper 3M prices managed to climb for the first time in four sessions and the cash/3M spread also strengthened by US\$9/t to a backwardation of US\$59.25/t. The flat price and spreads have been boosted by slower China inventory gains, a tightening global supply outlook and risks of a potential ban on Russian supplies by the LME. Last week, the exchange launched a formal three-week discussion process on the possibility of banning Russian metal. Russia accounts for about 4% of global copper production.

Inventories of copper in China rose 16,500 tonnes to 82,700 tonnes during the Golden Week holiday ending October 9 from a week earlier, according to Shanghai Metals Market data. The increase was smaller than in the same period last year (20,900 tonnes). Meanwhile, the latest data from the Shanghai Futures Exchange (ShFE) showed copper inventories declined to their lowest level in more than eight months at 30,500 tonnes in the week ending 30 September.

Agriculture – wheat jumps on Ukraine grains export risk

Wheat prices rallied yesterday following the latest Russian attack on Kyiv and other cities in Ukraine. CBOT wheat settled more than 6.5% higher on the day and traded to an intraday high of almost US\$9.50/bu, which is the highest level since June. Russia's escalation calls into question the future of the Black Sea grain export deal, which is due to expire in the next month. In addition, there is a backlog of vessels awaiting inspection, with UN data showing 99 vessels awaiting clearance. Since the introduction of the Black Sea Grain Initiative in early August, almost 6.9mt of grains and foodstuff have been exported under the deal.

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