

The Commodities Feed: Bullish EIA report

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Energy

The oil market received a further boost yesterday, which saw WTI trade briefly above US\$84/bbl for the first time since 2014. The catalyst for the move was a constructive inventory report from the EIA. While the weekly numbers showed that commercial crude oil inventories declined by just 431Mbbls, total oil and product stocks fell by 9.81MMbbls over the week. In addition to this, crude oil inventories at Cushing fell by 2.32MMbbls, which leaves them at 31.23MMbbls - the lowest level since 2018. If this trend continues there will be growing concerns over hitting tank bottoms. Refined product developments were also constructive with gasoline and distillate fuel oil inventories falling by 5.37MMbbls and 3.91MMbbls respectively. Gasoline inventories stand at a little under 218MMbbls, which is the lowest level since 2019. Implied demand numbers were also supportive, with total product supplied increasing by 1.96MMbbls/d over the week.

Continued strength in oil prices means that pressure on OPEC+ to pump more will only grow. Already there are calls from the US, India and Japan for the group to increase output more aggressively. However, OPEC+ is reluctant to do so. There are concerns over the oil balance next year, given the sizeable amount of non-OPEC supply growth expected in 2022. The Saudi energy minister has also said that the group has only a limited role to play in the gas crisis. His belief is that the group could pump more oil, but it does not mean that the demand will be there for it,

given limited oil-fired power capacity. The reluctance of OPEC+ to pump more in the short term suggests that oil prices will remain well supported for the remainder of this year.

Metals

Aluminium retreated yesterday after the Chinese government stepped up efforts to get a hold of the ongoing energy crisis by intervening in the coal market, which saw Zhengzhou thermal coal futures fall significantly. The LME also announced a set of rule changes that includes limits on the nearest-term copper spreads and allowances for holders of some short positions to avoid delivery, as the continuous drop in LME copper inventories resulted in a record high spread between spot and futures contracts.

Nickel surged by more than 4.5% yesterday and the LME 3M price touched an intraday high of US\$21,235/t. In an interview on Tuesday, the Indonesian President said that the government wants to 'hit the brakes' on exporting raw materials. He mentioned the earlier ban on nickel ore exports and said that they may halt bauxite exports next year or 'something else'. He didn't mention nickel pig iron. However, earlier this year, there was speculation that Indonesia was looking at potentially banning nickel pig iron exports, sparking concerns of a raw material squeeze for stainless steel mills outside of Indonesia. Nor Nickel said in a statement yesterday that production of all metals decreased in the first nine months due to the temporary suspension at three operations. Total production volume of saleable nickel and copper declined more than platinum group metals. However, the Russian producer reiterated its 2021 production guidance for nickel and copper to be unchanged. This would be 190-200kt for nickel and 335-355kt for copper in 2021. Brazilian miner Vale trimmed its production guidance for nickel from a prior projection of 200kt to 165-170kt. Moreover, nickel production from the Philippines is expected to be 10% lower than the annual average, due to frequent rainfalls and fewer vessels coming in, according to the CEO of Global Ferronickel.

The latest numbers from the International Aluminium Institute (IAI) shows that global primary aluminium output stood at 183.6kt per day in September, compared to 183.5kt a month earlier. Total output in the month rose 1.8% YoY to total 5.5mt, although was 3.2% lower MoM. For the first nine months of the year, output rose 4.4% YoY to total 50.6mt. Chinese production declined by 3.2% to 3.2mt in September, due to extended production restrictions amid power shortages. Cumulative output from China is still up 6.6% YoY to total 29.4mt.

Agriculture

Detailed trade data from China's customs shows that China's corn imports from the US reached a new high in September, while soybean imports from the US were soft for the month. China imported 3.34mt of US corn in the month, up nearly 293% YoY. The US made up nearly 95% of total corn imports over the month. China's domestic corn price continues to trade at a healthy premium over CBOT corn, which has been supported the stronger demand for US corn. On the other hand, China's imports of US soybean dropped 86% YoY to just 0.2mt. This was partly due to shipment disruptions on account of Hurricane Ida. China's soybean imports from Brazil were also softer for the month, falling 18% YoY to 5.94mt.

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