

# The Commodities Feed: Crude holds firm

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## Energy

The oil market managed to weather the broader sell-off across financial markets better than the rest of the commodities complex. Having traded lower for much of the day, ICE Brent still managed to finish the day marginally higher. The stubbornness of crude to sell off in the current environment shows how concerned the market is about tightness. These concerns are unlikely to ease anytime soon, given uncertainty over how Russian oil supply will evolve, the limited capability of OPEC to increase output significantly and the tight refined products market as we head deeper into summer. Brent timespreads continue to strengthen, reflecting tightness in the market. The Aug/Sep spread is trading at around US\$3.20/bbl, up from around US\$2.50/bbl a week ago. The easing of Covid-related restrictions in China should have provided a further boost to sentiment in the market. However, a flare-up of cases in Beijing and Shanghai more recently has seen authorities tighten restrictions once again. China's covid zero policy remains a downside risk for the market.

Libya continues to suffer from supply disruptions, which will provide further support to an already tight market. The Libyan oil minister has said that output has fallen by around 1.1MMbbls/d, with ongoing protests forcing production to be halted. Given that Libya produced a little over 1.2MMbbls/d in 2021, output has almost come to a full standstill.

## Metals

Risk-off sentiment dominated metals markets yesterday. Fears about more aggressive tightening from the Fed saw gold slide, whilst base metals were heavily sold off amid rising US Treasury yields and a firmer dollar. LME aluminium 3M prices tumbled by almost 2% and reached their lowest levels in six months. A fresh Covid outbreak in China, which has seen restrictions tightened once again, would have weighed on sentiment as well.

South Korean steel producer, Posco said that the output of some steel products has been affected by a prolonged trucker strike, adding more chaos to global supply chains. The producer has stopped production at its four wire-rod factories and one cold-rolled steel plant as of yesterday. The move is expected to reduce the daily output of wire rod by about 7.5kt, and cold-rolled steel by 4.5kt. The ongoing strike, which has entered its eighth day, has also delayed the scheduled delivery of automobiles, fuel, steel and materials for semiconductor chips.

## Agriculture

Indonesia has issued export permits to ship around 1.16mt of crude palm oil, RBD palm oil and RBD palm olein under its accelerated export program. The export permits under the accelerated export program are in addition to the export allowances granted under the domestic sale obligation (DSO) program. To support exports further, the maximum export levy on palm oil has been lowered from US\$375/t to US\$200/t. Higher palm oil shipments should ease some of the pressure on edible oil supply in the immediate term, especially in Asian markets.

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