# The Commodities Feed: US Fed pressure weighs on the commodities complex

Your daily roundup of commodity news and ING views

Federal Reserve building in Washington, DC

## Energy

The oil market has been lower in early morning trading today. This is likely a result of growing pressure on the US Fed to act more aggressively with rate hikes, following yesterday's inflation print which came in above expectations. In addition, continued progress in Iranian nuclear talks is likely to be holding the market back to a certain degree.

Yesterday OPEC released its latest monthly report, which showed that the group's output in January increased by just 64Mbbls/d MoM to average 27.98MMbbls/d. Venezuela and Libya, who are not part of the OPEC+ output deal, saw their production fall by 51Mbbls/d and 45Mbbls/d respectively. Increases were largely driven by Nigeria, Saudi Arabia and the UAE, with output increasing by 81Mbbls/d, 54Mbbls/d and 44Mbbls/d respectively. OPEC left its outlook for non-OPEC supply growth unchanged for 2022, expecting that it will still grow by 3.02MMbbls/d YoY. Similarly, global demand growth estimates were left unchanged, with OPEC forecasting demand to increase by 4.15MMbbls/d this year.

## Metals

The metals complex rallied on Thursday, boosted by stronger-than-expected China credit growth and new Yuan loans data, as well as growing expectations for improving demand from the nation's property sector. However metals, along with the broader commodities complex, have come under pressure in early morning trading today following yesterday's above-consensus US CPI release. This will likely put pressure on the US Fed to act more aggressively when it comes to rate hikes, and increases the chances of a 50bps hike in March.

A hefty delivery of aluminium into LME Asian warehouses yesterday provided a reprieve to the tightening market amid supply disruptions. Total inventories jumped by 119kt after inflows into Port Klang and Singapore warehouses.

As for nickel, Vale Indonesia reported that production for nickel in matte fell by 9.5% YoY to 65.4kt in 2021, which is reflected in the tightness of feedstock for battery makers, and further fueled the tightness in the class 1 market. Meanwhile, the company left its production guidance unchanged at 65kt for 2022.

## Agriculture

Brazil's agriculture agency, CONAB, has reinforced expectations for a tighter soybean market. Following a largely bullish report from the USDA, CONAB has also revised down its Brazilian soybean production estimate - by 15mt due to a drastic drop in productivity because of adverse weather over November-December. CONAB reported that the weather was relatively better in January, but not sufficient to make up for the large shortfall in earlier months. CONAB now estimates Brazil's soybean production to drop to 125.5mt in 2021/22 (down 9.2% YoY) compared to its earlier estimates of 140.5mt. The agency revised down soybean yield estimates from 3.5t/ha to 3.1t/ha. CONAB also reported that around 16.8% of the soybean crop has been harvested to date. The agency also lowered Brazil's soybean export estimates from 89mt to 80.2mt. For corn, CONAB revised down production by a marginal 0.6mt to 112.3mt as the improving weather in recent weeks could help the safrinha crop later.

### Author

**Warren Patterson**
Head of Commodities Strategy
Warren.Patterson@asia.ing.com