

The Commodities Feed: IEA members agree stock release

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Energy

The oil market has traded lower during most of the morning session in Asia, with concerns over the deteriorating Covid situation in China. Shanghai started a staggered lockdown last week but surging cases appear to have left most of the city in lockdown now. The response by the authorities is a concern for oil demand, and is likely a risk that the market will have to continue to consider as long as China sticks to its zero-covid policy.

International Energy Agency (IEA) members held an extraordinary meeting on Friday, where it was agreed that member countries would once again tap their emergency stockpiles to help ease the tightness in the market. [This follows the US announcing a stock release of around 180MMbbls from its strategic petroleum reserves last week](#). The IEA has not made public the details of the stock release yet, but the volumes should be released this week. This is the second time that IEA members have tapped their emergency reserves this year. In March, IEA members agreed to a stock release of 62.7MMbbls. We continue to believe that this action is more likely to cap prices, rather than provide significant downside in the medium term.

Despite the tightness in the oil market, speculators continue to reduce their net long in ICE Brent. The managed money net long was reduced by 7,516 lots to stand at 152,921 lots as of last Tuesday, which is the smallest position held since November 2020. Higher initial margins and increased volatility mean that speculators continue to sit on the sidelines.

Metals

The LME has announced the immediate suspension of the placing of certain metal brands from Russia, including primary aluminium and its alloys, copper, and lead, into LME UK warehouses. This follows the announcement by the UK government of a 35% tax on these products from Russia. However, as of 1 April, LME UK warehouses are empty of aluminium and alloys, copper, and lead. Therefore, we think there is no meaningful impact on the metals' liquidity. Also, the UK is not a major consumer of these metals in primary form compared to other peers globally. Still, domestic consumers will have to seek alternative sources of non-Russian metals due to the high tax.

Nevertheless, it is worth keeping an eye on whether other governments will follow the UK with similar actions. A significant portion of aluminium is currently sitting in Asia, such as Singapore and Malaysia, which together accounts for 93% of total LME on-warrant stocks. Copper is relatively more dispersed across the key regions. The US holds 33% of the total, with 27% in Europe (within which the Netherlands accounts for 68%), and the rest in Asia, mainly in South Korea and Taiwan. Taiwan is also the single largest hub for existing LME lead stocks, accounting for 65% of total LME on-warrant stocks, followed by South Korea with 18%. As for nickel, the Netherlands accounts for 51% of current total LME on-warrant stocks. It's not clear what the composition of these metals is in terms of their brands. We suspect Russian nickel should account for a significant amount in LME sheds, primarily in the Netherlands. Should the Dutch government and the LME follow the UK, this would further paralyze the nickel market, which has been struggling to return to normal for weeks, following the short squeeze.

As for aluminium, Japanese buyers settled premiums at US\$172/t for 2Q22, 3% lower than the previous quarter. As per the reports, at least two buyers agreed to pay lower premiums for the current quarter, as demand from automakers remains weak along with rising concerns for an economic slowdown. The current premiums were also quite a bit lower than initial offers of US\$250/t.

The latest CFTC data shows that speculators increased their net long position in COMEX copper, buying 4,969 lots over the last reporting week and leaving them with a net long of 41,490 lots as of last Tuesday. As for precious metals, money managers trimmed their net long in COMEX gold for a third straight week, reducing their net long by 3,866 lots, leaving them with a net long of 130,126 lots.

Agriculture

Ukraine's agriculture ministry estimates that total spring acreage in the country could drop by around 21% YoY to 13.4m hectares this year, due to the ongoing military conflict with Russia. The ministry also reported that around 600k hectares of land has been sowed (around 5% of projected acreage) to date, with 21 out of 24 regions starting the sowing process.

Latest data from the CFTC shows that speculators trimmed their net long position in CBOT corn and soybean last week, as diplomatic discussions between Russia and Ukraine resulted in some de-

escalation. Managed money net longs in CBOT corn dropped by 29,497 lots over the week, predominantly driven by longs liquidating. Gross longs fell by 24,542 lots for the week, whilst gross shorts increased by 4,955 lots. For soybeans, money managers reduced their net long by 17,919 lots, whilst for CBOT wheat, positioning was kept largely flat at 19,439 lots.

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