

The Commodities Feed: Nord Stream nominations

Your daily roundup of commodities news and ING views



Gas storage tank

Energy

All eyes will be on the Nord Stream pipeline today. Annual maintenance is set to come to an end today at 6am local time, and the market will be waiting to see if Russian flows along the pipeline restart. The good news is that looking at nominations, it appears as though flows are indeed set to resume to around pre-maintenance levels, so around 40% of capacity. Although, there are still clear risks, as these nominations do not guarantee that we will see these flows. We will have to wait until later today for confirmation on whether flows return and if so, to what degree. A return to pre-maintenance levels would likely put some downward pressure on European gas prices.

Oil prices settled marginally lower yesterday, with a lack of fresh catalysts. Weekly EIA data showed that US commercial crude oil inventories declined by 445Mbbls over the last week, whilst total US crude oil inventories (including SPR) declined by 5.44MMbbls. However, the changes for gasoline were more bearish, with US gasoline inventories rising by 3.5MMbbls over the week, despite refinery utilization rates falling by 1.2 percentage points.

Metals

The latest numbers from the International Aluminium Association (IAI) show that global primary

aluminium daily output stood at 188.4kt in June, compared to 188kt a month earlier. Total monthly output declined 3.1% MoM and 1.4% YoY to stand at 5.65mt last month. Cumulatively, production remained largely flat at 33.7mt over the first half of the year. Chinese output fell 3.2% MoM to 3.3mt last month, which leaves YTD output at 19.7mt, up 0.4% YoY.

In its latest quarterly update, Vale SA lowered its guidance for annual iron ore output. The miner now expects production to come in at around 310-320mt for 2022, compared to a previous forecast of 320-335mt. The revision lower provided some support to SGX iron ore, with the most active contract rallying by 2.9%, which saw it settle just above US\$100/t.

Agriculture

Indonesia's Palm Oil Board (GAPKI) expects crude palm oil exports to increase to 17.3mt over 2H22 compared to around 10.7mt over 1H22 as the government eases export regulations. Palm oil exports from Indonesia witnessed several policy flip-flops over the first half of the year as prices surged to record highs. However, an easing in prices has seen the government withdraw the majority of the restrictions previously put in place. Based on current estimates, full-year palm oil exports from Indonesia would still be significantly lower than the roughly 34mt exported in 2021. GAPKI estimates that inventories stood at around 7mt in early July, compared to around 4.1mt at the end of 2021.

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