

The Commodities Feed: Potential US action this week

Your daily roundup of commodity news and ING views



Energy

Oil prices continued to edge higher yesterday. The lack of OPEC+ action last week, coupled with the Saudis raising their official selling prices for December crude loadings, has been positive for the market. A weaker USD has also proved supportive of the broader commodities complex. Given that OPEC+ ignored US calls to increase output more aggressively, the US will now be looking at what action they can take to ease price pressures. The US Secretary of Energy has said that President Biden may make an announcement this week to address high oil and gasoline prices. The most obvious tool for the US administration to use is the Strategic Petroleum Reserve (SPR). Outside of mandated and SPR modernization sales (and a test sale in 2014), the last sale was part of a coordinated IEA release back in June 2011, which saw 30.6MMbbls released. We have also seen the SPR used a number of times in recent years for exchanges and most recently this year following Hurricane Ida. There have also previously been suggestions that the US could implement a ban on crude oil exports. While we believe this is less likely, if such action was taken, it would lead to a widening in the WTI/Brent discount.

China National Petroleum Corp (CNPC) has said that it will stop refined product exports for the remainder of this year. China has faced diesel shortages recently, which also saw the government announce a stock release of both diesel and gasoline. Chinese exports of refined products have already come under pressure this year, which has proved supportive of product cracks in

international markets. This latest development should provide further support over the remainder of the year.

European natural gas prices strengthened further yesterday, which also helped to drag Asian spot LNG prices higher. Markets have been anticipating signs of increased flows of Russian gas into Europe following reports that President Putin had ordered Gazprom to start refilling its European storage from 8 November. However, right now, this does not seem to be happening. Flows via the Europe-Yamal pipeline have not picked up yet, which has raised concerns once again about tightness as we head into winter.

Metals

Weakness in the US dollar and the latest progress in the US infrastructure bill facilitated a broader rebound across the metals complex on Monday. Gold continued to edge higher. Spot prices touched a two-month high of US\$1,826.50/oz, as long-term inflation expectations grow.

Aluminium led the metals complex higher yesterday, settling 1.9% higher on the day. LME inventories continue to edge lower and stand at just around 1mt, the lowest since March 2020. In China, both primary aluminium and billet inventories decreased, which could be signs of midstream semis producers returning to the market for purchases after power cuts moderate. Alcoa announced plans to restart curtailed capacity of 35ktpa at its Portland aluminium smelter in Australia. The smelter has a total capacity of 358ktpa.

As for copper, low inventories continue to provide strong support. The nearby spreads remain tight and in deep backwardation. The cash/3M spread remains above \$235/t despite recent reports of delivery (exports) by Chinese smelters into Asian warehouses.

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