

The Commodities Feed: Product cracks surge on Texas freeze

Your daily roundup of commodity news and ING views



Energy

ICE Brent continues to be well supported, with prices trading comfortably above US\$63/bbl. Concerns over oil supply disruptions from Texas continue to prop up the market. Cold weather, power outages, and logistical issues have all led to disruptions. Bloomberg reports that as much as 1MMbbls/d of crude oil production has been impacted as a result of the winter storm, while power outages have also had an impact on pipeline flows and refinery operations. A number of refiners, including Motiva's Port Arthur refinery (the largest in the US) have shut down or reduced operating rates due to the winter storm. These refinery shutdowns have provided a boost to some of the product cracks as well, with both RBOB and heating oil cracks spiking higher on the back of the news. Parts of Texas will see winter storm warnings stay in place until Thursday morning, with freezing temperatures expected to remain until then. This should continue to offer support to the market.

Metals

The industrial metals complex remained buoyant yesterday amid elevated inflation expectations and a softer dollar. However, market volumes were thin, with both the US and China on holiday. In

precious metals, platinum continues to surge after a technical breakout, which saw spot prices extend to US1,306/oz, the highest since 2014. Platinum prices have jumped by over 20% YTD, outperforming both gold and silver.

For aluminium, power deals reached between smelters and their power suppliers add to the confidence of aluminium supply growth for the ex-China market. Rio Tinto said yesterday that it would keep the ISAL smelter in Iceland in operation after reaching a power agreement. This follows last month's agreement made with Meridian Energy, which will see New Zealand's Tiwai Point smelter avoid closure. While further back in December, Century Aluminum agreed with South Carolina Public Service Authority on a power deal for its Mt Holly aluminium smelter.

Agriculture

The Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) has increased its wheat production estimates for this year from 31.2mt to 33.3mt on the back of favourable weather over the past few weeks and better-than-expected yields. Wheat output this year is more than double the production in 2019/20. Higher wheat supply from Australia will help fill the supply gap globally as Russia aims to limit exports over the next few months in order to keep the domestic market well supplied. Meanwhile, Russian exports of wheat ahead of the implementation of higher export duties remain strong, with shipments rising to 1.6mt for the week ending 11 February compared to around 0.8mt in the previous week. YTD wheat exports from Russia have increased by 31% YoY to 32.1mt.

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