

The Commodities Feed: Relief bounce

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Energy

The price of ICE Brent touched US\$30.35/bbl today meanwhile, the WTI saw a strong recovery, up by over 20% yesterday and another 4% in the morning.

There have been some supportive factors from the US side including monetary and fiscal measures and other countries around the world seem to be doing the same. The US Department of Energy is seeking around 30MMbbls American oil for its Strategic petroleum reserve.

Meanwhile, President Donald Trump has said he will intervene at an 'appropriate time'. An end of the price war means that both Saudi and Russia would bring back their production levels to where they were prior to the OPEC+ talk in early March. Yet this is still questionable. However, another key question is whether they have the intention to come back to the table to discuss the previous agenda of further cuts.

The recent plummeting oil prices have its ramifications including surging tanker rates. Saudi and Iraq are believed to have slashed their freight for refining customers under default contract terms. Buyers will need to bear additional costs at the withdrawal of freight rebate, but the move arouses uncertainties as to whether it may deter purchases. The decision from the two middle-east producers seems to be an alarming signal that low prices have taken its toll.

Metals

After a sharp fall earlier in the week, base metals prices were relatively flat yesterday after global central banks increased stimulus measures to support the economy and improve the market sentiment. However, weaker macro data, continued uncertainty over the demand prospects and a stronger USD (USD index increased to a three-year high of 102.3 yesterday) could continue to weigh on any price recovery in the short-term. Gold also softened further yesterday due to the increased liquidity requirements in the market.

Meanwhile, metal supplies also started to face difficulties as mining countries implement tighter measures around the travel and trade. Codelco plans to reduce operating rates at its mines across the country for 15 days after the government declared a state of catastrophe in the country which placed a restriction on movement.

Other copper mining companies may also face logistical issues and curtail operating rates over the coming weeks. Earlier in the week, Peru has announced a national emergency for 15 days which led to operating rate cuts at some of the mines in the country including Las Bambas. As for nickel, Philippines has restricted movements of ships from some of the ports which could create logistical issues for nickel ore exports from the country.

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