The Commodities Feed: Risk-off sentiment weighs on metals

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Energy

Amid a broader sell-off in financial markets, ICE Brent also dived to around US$85/bbl at one point yesterday; although a late recovery saw the prompt-month contract settling at US$86.3/bbl, still down around 1.8% for the day. ICE Brent has started today on a positive note again as supply-side concerns continue to be supportive for the oil market; although the broader financial market remains jittery ahead of the US Federal Reserve meeting tomorrow.

India's crude oil imports continued to recover and increased 7.1% month-on-month to a one-year high of 19.7mt in December, although imports are lower than the year-ago level of around 20.5mt. For the full year 2021, India's crude oil imports increased around 4% year-on-year to 209.6mt in 2021. However, the imports are still lower than the pre-pandemic imports of around 225mt in 2019.

Elsewhere, European natural gas prices surged higher yesterday as a flare-up in geopolitical concerns and uncertainty around Russian supplies pushed up demand in the physical market. TTF prices settled with gains of around 18% to €93/MWh whilst ICE NBP gained around 19% to settle at

GBp224.7/therm. European gas inventories currently stand at around 472.5TWh, a significantly lower level than the five-year average of around 639TWh at this point in the season and any disruptions to Russian gas supply could create acute gas shortages in the European market. Russia supplies around 40-50% of European natural gas imports.

Metals

The risk-off sentiment shift in the macro market weighed heavily on metals yesterday. LME 3M copper prices fell by more than 2%, and the red metal has again surrendered all the gains made so far this year. After a strike was avoided at Teck's Highland Valley mine and the risk of mine supply disruptions eased, Ivanhoe Mines reported that the phase 2 project will be 93% complete by the end of this month, and the concentrator is on track to ramp up in April, far exceeding expectations.

Nickel fell the most, with 3M plunging by more than 7% on Monday to close $1,624/t lower from last Friday. This was triggered by news that Chinese Tsingshan had shipped its first batch of nickel matte from Indonesia to China. The cash/3M spread has also eased from around $500/t last week to US$273/t as of yesterday despite stocks continuing to see a small outflow. Moreover, further clarifications on steel cuts compounded by weakness in the steel markets from China has capped the rally in iron ore. Adverse weather conditions in China and rising Covid cases and travel restrictions ahead of the Chinese New Year saw weak activity in the physical market. Meanwhile, the Ministry of Ecology and Environment (MEE) authority said that local governments from Beijing and Hebei are authorised to take preventive measures 'through legislation' to control air pollution during the upcoming Winter Olympics. This could put more steel production at risk from next month through to March.

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