

The Commodities Feed: Sell-off across the complex

Your daily roundup of commodity news and ING views



Energy

The market saw yet another big move yesterday, although for a change it was a sell-off. ICE Brent sold off more than 13%, which took it back down towards \$111/bbl. This was part of a broader market move, with commodities that are heavily exposed to Russia-Ukraine all trading lower over the day. The key catalyst for the move appears to be comments from the Ukrainian government that they would be willing to compromise in order to end the ongoing war. The move highlights how sensitive the market is to developments related to Russia-Ukraine.

In addition, there were reports that the UAE would call on OPEC+ to increase output more aggressively. Although since then, the energy minister has tweeted that the UAE is committed to the “existing monthly production adjustment mechanism”. Clearly, there appear to be mixed messages coming from the UAE regarding its policy towards oil production, which will certainly not help during these volatile times. These latest comments appear to have provided some support to WTI in early morning trading in Asia.

The EIA’s weekly inventory report showed that US commercial crude oil inventories declined by 1.86MMbbls over the last week, whilst SPR stocks fell by 2.52MMbbls. As a result total US crude oil

inventories declined by 4.39MMbbls last week. Cushing inventories also continue to edge lower, with stocks at the WTI delivery hub falling by 585Mbbls to 22.22MMbbls, leaving stocks about 418Mbbls from the lows seen in 2018. Refined products also saw large declines, with distillate fuel oil and gasoline inventories falling by 5.23MMbbls and 1.41MMbbls respectively.

Reuters reports that Beijing has asked state refiners to consider suspending the export of diesel and gasoline during April, with concern about supply given the ongoing Russia-Ukraine conflict. Refined product markets have seen significant strength in recent months as fuel demand recovers along with low inventories globally. In addition, Chinese exports of refined products have trended lower over the last year, but clearly, a full suspension of exports from state refiners in the short term would only further tighten up these markets.

Agriculture

The USDA's latest WASDE report was somewhat constructive for grain markets. The USDA revised down global wheat export estimates from 206.7mt to 203.1mt for 2021/22 due to recent developments in Russia-Ukraine. Russia's export estimates were revised down by 3mt to 32mt, while Ukraine's export estimates were lowered by around 4mt to 20mt. However, export estimates from Australia and India were revised higher by around 1.5mt each to partly offset the impact. The USDA also increased its global wheat production estimate from 776.4mt to 778.5mt due to a bigger crop in Australia. The USDA increased global wheat stock estimates at the end of 2021/22 from 278.2mt to 281.5mt; the market was expecting a number closer to 277.5mt. For corn, the USDA revised down inventory estimates for 2021/22 from 302.2mt to 301mt; again higher than market expectations of around 299.5mt. Global corn export estimates were revised down by 3.8mt to 199.9mt largely due to downward revisions in Ukrainian exports (down by around 6mt to 27.5mt). The USDA report was fairly constructive for soybeans with inventory estimates revised down from 92.8mt to 90mt due to poor crops in South America; although it is still higher than the 88.7mt that the market was expecting. Brazil's production estimate was reduced by around 7mt to 127mt. Supply expectations from Argentina and Paraguay were also revised down further.

For the US market, the USDA left the wheat balance sheet largely unchanged with ending stock estimates revised by around 5m bushels to 653m bushels due to lower exports. For corn, the agency revised higher its demand number by around 100m bushels due to stronger exports (+75m bushels to 2.5b bushels) and robust demand from the ethanol sector. Supply estimates were left unchanged leading to a downward revision of 100m bushels to ending stocks. US soybean ending stocks were also lowered by around 40m bushels to 285m bushels due to stronger exports. Domestic supply and demand estimates were left unchanged.

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