

## The Commodities Feed: Brent declines

Oil had its first weekly decline since mid-March as demand worries linger



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### Energy - Strong Indian refining activity

Oil prices settled lower last week for the first time since mid-March. ICE Brent fell by almost 5.4% last week due to demand worries. Refinery margins remain under pressure, largely a result of weakness in middle distillates. However, gasoline cracks have also started to see some weakness. For gasoil, time spreads have weakened considerably over the last month with the prompt spread not too far from slipping into contango. It is currently trading in a backwardation of a little over US\$2/t.

Surprisingly, despite the weakness in gasoil, the speculative net long in ICE gasoil increased by 1,020 lots to 18,317 lots. The net long is still, however, some distance from the 80k lots seen back in January. ICE Brent also saw speculators increase their net longs, despite settling lower. The managed money net long increased by 7,946 lots to 241,987 lots. This move was predominantly driven by fresh longs, suggesting that some market participants feel that oil is underpriced at the moment.

The latest government data from India shows that domestic refiners processed a record 23mt (5.44MMbbls/d) of crude oil in March, up a little over 3% YoY. This leaves the total amount of crude

processed over the 2022/23 fiscal year at 255.2mt (5.13MMbbls/d), up 5.6% YoY. As a result, it is not surprising that stronger crude oil imports were also observed. March crude imports came in at 20.5mt (4.85MMbbls/d), up 7.9% YoY, whilst total imports over the 2022/23 fiscal year came in at 232.4mt (4.67MMbbls/d), up 9.4% YoY

## Metals – North Chile’s protests hit Codelco mines

There are reports that copper operations at Codelco’s mines were disrupted due to ongoing anti-crime protests in northern Chile. Codelco said that access to the Chuquicamata, Radomiro Tomic, Gabriela Mistral and Ministro Hales mines has been blocked since early Friday and operations were running at minimum levels.

Recent data from the Shanghai Futures Exchange (ShFE) shows that weekly exchange inventories for zinc fell 8% WoW to 79,941 tonnes- the lowest since the last week of January and the sixth consecutive week of declines. In other metals, lead inventories declined 32% WoW to 25,285 tonnes, while nickel stocks fell 34% WoW, taking total stocks to 1,496 tonnes - the lowest level since July.

In ferrous metals, iron ore fell to its lowest level since December as weaker-than-expected demand in China and ample supplies weighed on the raw material. Mysteel reported that some 52 of 126 blast furnaces in Tangshan province (a major steel-producing hub) in China have gone into maintenance, which will reduce capacity by around 765.5kt.

## Agriculture – Argentine soybean output

The Buenos Aires Grain Exchange slashed its 2022/23 soybean production forecast to 22.5mt from 25mt due to lower yield estimates. The group left corn production estimates unchanged at 36mt for the current season.

The latest data from Ukraine’s Agriculture Ministry shows that total grain exports from Ukraine dropped 11% YoY to 40.6mt so far in the 2022/23 season. The fall in exports was largely anticipated following the headwinds faced. Ukraine’s wheat exports fell 25% YoY to 13.9mt, while corn exports stood at 23.9mt (+15% YoY).

Following the large price movements seen in sugar and coffee, it was surprising that the latest positioning data from the CFTC shows only a marginal increase in the speculative net long in sugar. Speculators increased their net long in No.11 sugar by 5,805 lots to 226,058 lots. Arabica coffee saw a more meaningful increase with speculators buying 11,785 lots to leave them with a net long of 33,557 lots.

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