

The Commodities Feed: Central banks add to gold reserves at slower pace

Central banks continued to buy gold in April, but at a slower pace given that prices are near record highs



Metals – Central bank gold buying slows in April

Central banks added a net 12 tonnes of gold to global gold reserves in April, 12% lower than the previous month and below the 12-month average of 28 tonnes, according to the latest data from the World Gold Council. Although central banks are still buying gold, the pace has slowed as prices hit record highs. April marked the second consecutive month of slower accumulation.

Gold prices are up around 27% so far this year, after peaking at a record \$3,500/oz in April. The rise is being driven by the global trade war, geopolitical risks, and central banks adding to their reserves. In the first quarter, central banks bought 244 tonnes of gold.

Poland remains the leading buyer, both in April and year-to-date. In April, the National Bank of Poland added another 12 tonnes to its reserves, lifting them to 509 tonnes. This is higher than gold reserves at the European Central Bank, which stand at 507 tonnes.

Despite the slowdown in purchases, central banks are likely to continue to add gold to their reserves, given the uncertain economic environment and the efforts to diversify away from the US

dollar.

Energy - OPEC output grows in May

ICE Brent hit its highest level since mid-May yesterday, with the front-month contract trading just shy of US\$66/bbl. Wildfires in Alberta, Canada, provided a boost to prices. This, at a time when the market is digesting the announced OPEC+ July supply hike. There continue to be clear signs of tightness in the spot oil market as we move closer towards the Northern hemisphere summer. Both Brent and WTI prompt timespreads strengthened recently, while trading is in deep backwardation.

Supply risks around the Alberta wildfires appear to be receding, at least for now, due to rainfall. Oil producer Canadian Natural Resources restarted production at one of its sites after halting production last week due to fires. However, this relief could be short-lived amid forecasts for drier and warmer weather towards the end of this week.

Preliminary production numbers from a Bloomberg survey show that OPEC production increased by 200k b/d month-on-month to 27.54m b/d in May. This was less than OPEC's share of just over 300k b/d of the total 411k b/d OPEC+ supply increase. Some OPEC members had already been producing above their targets, reducing the actual supply increases in the market. In addition, some members -- including Saudi Arabia -- fell short of production targets. Following large supply hikes for June and July, the group's output should continue trending higher at least for the next couple of months.

Inventory numbers overnight from the American Petroleum Institute show that US crude oil inventories fell by 3.28m barrels over the last week. However, the balance of the numbers is fairly bearish. Crude stocks at Cushing increased by 952k barrels, while for refined products, gasoline and distillate inventories grew by 4.73m barrels and 761k barrels, respectively.

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