The Commodities Feed: Central banks increase gold reserves

The latest data from the World Gold Council shows that central banks purchased around 800 tonnes of gold over the first three quarters of 2023 as geopolitical uncertainty pushed them to diversify more towards safety assets. The trend is likely to continue in the fourth quarter amid tensions in the Middle East

Energy – US oil inventory increased over last week

The crude oil front-month contract has been trading soft at around US$85.7/bbl this morning as the risk premium continues to soften in the absence of any immediate danger to the oil supply from the Middle East. Oil supply remains healthy with a Reuters survey reporting that OPEC oil production increased by another 180Mbbls/d in October compared to September with higher production coming from Nigeria, Angola, Iraq and Iran. Having said that, the risk of an escalation in the Middle East cannot be ruled out and the market remains cautious on that front.

Weekly inventory data from the API shows that the US crude oil inventories increased by 1.35MMbbls over the last week; lower than the average market expectations of around 1.6MMbbls. Cushing crude oil stocks are reported to have increased by 375Mbbls. On the products side, API reported that gasoline and distillates inventories fell by 357Mbbls and 2.48MMbbls respectively, over the week ending 27 October. The more widely followed Energy Information Administration (EIA) report will be released later today.

India's crude oil imports dropped to a YTD low of 17.4mt in September 2023 as firm prices and refinery maintenance weighed on crude oil demand. However, some reports suggest that imports may have recovered in October as refineries increased operating rates whilst some of the state refiners also increased imports to meet annual purchase obligations under the term deal.

The European gas market traded softer yesterday following the expectations of the arrival of the Ciaran storm over the coming days, which could bring down electricity demand due to infrastructure damages. Meanwhile, gas storage is running nearly full in Europe (99.3% of the capacity as of 30 October) as unusually mild temperatures have reduced the overall heating consumption in Europe.

Metals – Central banks' gold purchases increase in third quarter

The latest data from the World Gold Council (WGC) showed that the central banks increased their gold purchases to 337t over the third quarter of the year primarily due to higher buying from China (+78t), Poland (+57t), Turkey (+39t) and India (+9t). Cumulatively, purchases by central banks reached 800t over the first three quarters of the year, a record amount bought for a nine-month total as geopolitical concerns pushed central banks to increase allocation towards safety assets. Meanwhile, gold's demand from other sectors was soft. Demand for bars and coins fell 14% YoY to 296t while gold ETFs reported net outflows of 139.3t over the third quarter of the year. Global jewellery consumption fell 2% year-on-year to 516.2t in the third quarter.

Global gold demand (excluding OTC) fell 6% YoY to 1,147t in the third quarter of this year, while cumulative demand (excluding OTC and stock flows) also declined 3.2% YoY to 3,285.7t in the first nine months of the year on slowing jewellery demand, lower consumption in the technology sector and mixed performance of investment sector. However, cumulative demand (including OTC and stock flows) rose 4.7% YoY to 3,692.4t in January-September 2023. In terms of supply, the council reported reasonable growth in both mine production (+2% YoY) and recycling (+8% YoY), resulting in a higher gold supply rising by 6% YoY to 1,267t in the third quarter of the year.

Aluminium smelters in China's southern province of Yunnan are planning to reduce the output again this winter season as the hydropower supply decreases in the dry season, according to the Shanghai Metals Market (SMM). The group further added that the production cuts across four smelters will range from 9% to 40% and are expected to start in the coming days. The total capacity reduction is estimated to be around 1.15mt. Currently, the total operating capacity stands at around 5.65mt as of the end of September. Last year, Yunnan province encountered two rounds of aluminium output cuts due hydropower shortage.

Lastly, the latest LME COTR report released yesterday shows that investors decreased net bullish positions for copper by 2,783 lots for a fourth consecutive week to 30,306 lots in the week ending on 27 October, as the recent recovery in the readily available exchange inventories at LME warehouses eased tight supply concerns. A similar move has been seen in zinc with speculators decreasing the net bullish bets by 1,348 lots for a fourth straight week to 30,538 lots over the last reporting week. In contrast, money managers increased net bullish bets in aluminium by 3,014 lots for a second consecutive week to 107,510 lots over the above-mentioned period.

Agriculture – India sugar production to fall 8% YoY in 2023/24

The first advance estimates from the Indian Sugar Mills Association (ISMA) show that gross sugar production (including sugar diverted for ethanol production) in India could fall to around 33.7mt in 2023/24 compared to around 36.6mt in 2022/23 as adverse weather was seen impacting yields. The total acreage under sugarcane is expected to be around 5.7m hectares in 2023/24. Sugar allocation for ethanol production was around 4.1mt for last season and a similar allocation this year would keep net sugar production at around 29.6mt. While net sugar production is sufficient to meet the domestic demand of around 27.9mt, sugar exports from the country could fall significantly in the current season.

Ukraine's Agriculture Ministry reported that the Ukrainian winter grains plantations rose to 4.2m hectares as of 31 October, in line with last year's plantation. This includes winter wheat crop plantings rising by 6% YoY to 3.7m hectares for the above-mentioned period.

Weekly data from the European Commission shows that soft wheat exports for the season so far fell 24% YoY to 9.6mt as of 27 October, down from 12.6mt reported in a similar period a year ago. The major destinations for these shipments were Morocco, Nigeria, and Algeria. Meanwhile, the nation's corn imports fell 41% YoY to 5.6mt in the season so far.

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