

## The Commodities Feed: China adds to gold reserves

Oil prices moved higher yesterday with sentiment remaining supportive. Meanwhile, China's central bank added to its gold reserves for a second month in December



### Energy – more obstacles for Iranian crude

ICE Brent pushed above US\$77/bbl yesterday with sentiment still largely supportive following a stronger physical market. Concerns over Iranian and Russian oil flows will also be providing some support. There were reports yesterday that a port operator in Shandong, China, has told ports not to accept tankers sanctioned by the US. Refiners in the region are large buyers of Iranian crude oil and so if these ports follow through, it potentially provides more obstacles to Iranian oil flows.

Strength in the market continued in early morning trading today after API numbers showed that US crude oil inventories fell by 4m barrels over the last week, while Cushing stocks declined by 3.1m barrels. It was less bullish on the product side with gasoline and distillate stocks increasing by 7.3m barrels and 3.2m barrels respectively. The more widely followed EIA inventory report will be released later today.

European gas prices initially came under pressure yesterday with TTF trading just below EUR46/MWh. However, the market strengthened in the latter part of the trading session, which

saw TTF settling marginally higher on the day. EU storage is 69% full at the moment, down from 85% at the same stage last year and below the five-year average of 75%. A faster-than-expected fall in inventory will leave the market nervous, particularly with the colder weather Europe is facing at the moment.

## Metals – China’s central bank buys more gold

China’s central bank added to its gold reserves for a second month in December. Gold held by the People’s Bank of China rose to 73.29 million troy ounces in December, from 72.96 million in the previous month. The central bank resumed adding to its gold reserves in November after a six-month pause. The purchase by the central bank comes even with gold prices near record levels.

Industrial metals have had a muted start to 2025 with the market weighing the outlook for the year amid geopolitical tensions, the uncertain path for China’s economic recovery and rising protectionism. The US election has further complicated the outlook for the complex with a threat of tariffs on Chinese goods looming over the market. Industrial metals all fell after Trump on Monday denied a report that his team was planning weaker import tariffs than those announced during his presidential campaign. We believe that potential US tariffs and a stronger dollar could further depress industrial metals prices.

Requests to withdraw aluminium from LME warehouses rose by 42,850 tonnes to 380,050 tonnes, the highest since 7 October 2024. The majority of cancellations were reported in Malaysia’s Port Klang warehouses. Meanwhile, exchange inventories for aluminium fell by 2,500 tonnes to 624,275 tonnes (the lowest since 9 May 2024), while on-warrant inventories decreased by 45,350 tonnes to 244,225 tonnes as of yesterday.

## Agriculture – Thailand sugar output falls

Recent data from Thailand’s Office of the Cane and Sugar Board shows that sugarcane crushing in Thailand fell by 18.3% YoY to 21.5mt between 6 December and 6 January. The government halted cane crushing for a week (27 Dec-2 Jan) to curb air pollution, leading to an overall decline in crushing. This has resulted in a sugar output of around 1.98mt (-17% YoY) in the first 32 days of the 2024/25 crushing season.

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