

The Commodities Feed: China buys more gold in February

China's central bank added gold to its reserves for a sixteenth straight month in February as reserve diversification and geopolitical concerns push central banks to increase their allocation towards safe assets. We believe this is likely to continue this year



Metals: China buys more gold

Last month, China's central bank added gold to its reserves for a sixteenth straight month. The People's Bank of China now owns 72.58 million troy ounces, equivalent to about 2,257 tonnes, after adding about 390,000 troy ounces last month. Central banks bought 1,037 tonnes of gold last year, just shy of the all-time high of 2022, as shown by data from the World Gold Council, as reserve diversification and geopolitical concerns pushed central banks to increase their allocation towards safe assets.

In the Chinese domestic market, buyers have also flocked to gold amid the country's economic woes. Swiss exports to China, which are usually a good indication of Chinese demand for the precious metal, more than doubled in January from December to 77.8 tonnes, while shipments to Hong Kong rose almost sevenfold to 44.6 tonnes, data from the Swiss Federal Administration shows.

Gold tends to become more attractive in times of instability when investors pile into safe-haven assets as a hedge against the economic climate, geopolitical tensions or inflation. We believe this is likely to continue this year.

Meanwhile, [gold continues to hover near record highs](#) this morning with prices on track for

the biggest weekly gain since October. The latest comments from Fed Chair Jerome Powell suggesting that “the central bank is getting close to the confidence it needs to start lowering rates” has significantly changed the outlook for the Fed rate cut timings this year. We expect gold prices to remain volatile in the coming months as the market reacts to macro drivers, tracking geopolitical events and Fed rate policy.

However, gold ETF holdings continue to decline with total known holdings reporting outflows of 135.4koz to 82.1moz as of yesterday. Net outflows for the month now stand at 285.9koz, taking the total gold ETF holdings to the lowest since December 2019.

Energy: Oil rises on partial suspension of Keystone pipeline

Oil edged higher this morning on reports that TC Energy Corp’s Keystone oil pipeline shut operations partially yesterday after pressure dropped on a segment of the pipeline, running from Hardisty, Canada, to Steele City, Nebraska. In the latest update, the company reported that the pipeline is safely operating after a brief suspension, although details on supply disruption are not available yet. The 622Mbbbls/d oil pipeline which transports heavy Canadian crude to the US Midwest and Gulf Coast has a long history of disruptions, including a 12Mbbbl spill in December 2022, leading to a two-week-long shutdown of the line. The pipeline has been operating at a reduced pressure since the spillage incident.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 137kt over the last week to 6.03mt. The rise was predominantly driven by fuel oil stocks increasing by 148kt for a fourth consecutive week to 1.64mt, the highest since April 2021. Meanwhile, weekly gasoline stocks also saw a build of 59kt over the reporting week to 1.24mt. However, gasoil stocks in the region fell by 26kt to 2.03mt over the last week.

Meanwhile, data from Singapore shows that total refined products inventory in the country fell by 2.8MMbbbls (-6% week-on-week, after reporting gains for three consecutive weeks) to 44MMbbbls, the lowest since the week ending on 14 February 2024. The decline was led by residual fuels with inventories falling by 1.35MMbbbls for a second consecutive week to 19.14MMbbbls/d for the week ending on 6 March 2024, the lowest since the week ending on 6 December 2023.

For natural gas, the EIA reported an inventory withdrawal of 40Bcf for the last week, slightly higher than the market expectations of around 37Bcf withdrawals. However, this was the fifth consecutive undersized draw with the pace of inventory withdrawal remaining below the five-year average fall of 93Bcf, primarily due to warmer-than-normal temperatures over most of the US and higher supplies. Natural gas inventories are up almost 13.6% from the same period last year, while also remaining 31% higher than the five-year average for this time of the year.

Agriculture: Brazil soybean exports rise

The latest data from Brazil’s Trade Ministry shows that soybean exports from the nation jumped by 31.7% year-on-year to 6.6mt in February, compared to 5mt for the same period last year. The rise was led by the higher availability of soybeans at competitive rates in Brazil, due to a record crop season last year. Among other grains, corn exports from the country fell 24.7% to 1.7mt last month.

The USDA’s weekly net export sales report shows that soybean shipments stood at 680kt for the week ending on 29 February, much higher than the 160kt a week ago and 149kt for the same

period last year. This is also higher than the average market expectation of 338kt. Similarly, US wheat export sales rose to 335kt, marginally higher than the 322kt reported a week ago and almost flat from 337kt reported a year ago. The market was expecting a number closer to 395kt. In contrast, US corn shipments stood at 1,110kt, lower than the 1,247kt a week ago and 1,525kt reported a year ago but higher than the average market expectations of 1,050kt.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.