# The Commodities Feed: China hopes lift the complex

Reports of further support measures for China's property sector has seen the commodities complex trading stronger this morning. However, US CPI data out on Wednesday will be key for market direction in the short term

An aluminium alloy products factory in Tangshan City, China

## Energy: Gas prices decline

The oil market continues to trade in a largely rangebound manner. Although clearly it is trading towards the top end of its recent range. News that China will likely implement further support measures for its property sector has provided a bit of further support to the commodities complex in early morning trading today. This comes at a time when we are also seeing quite a bit more strength in the Brent structure, so potentially we could start seeing sentiment in the oil market turning more constructive. However, much will also depend on US CPI data for June, which will be released tomorrow. This is important for markets, as it will shape expectations on monetary policy from the US Fed in the months ahead. A number above year-on-year consensus (3.1%) would likely put some pressure on risk assets.

The European natural gas market came under significant pressure yesterday. TTF briefly traded below EUR30/MWh and settled almost 10% lower on the day – trading down to the lowest levels in almost a month. Norwegian gas flows have partially recovered from levels seen in late May and June, although they are still well below pre-maintenance levels. Despite these lower flows, EU storage continues to fill up at a good pace with storage almost 80% full already. We continue to believe that storage will be full well ahead of the next heating season, which suggests that we will see further downside in prices over the Northern Hemisphere over the summer months.

## Metals: Russian origin aluminium grows in LME sheds

Rising concerns about deflation risks in China weighed on the metals complex yesterday. The latest data from the world's biggest consumer of industrial metals showed consumer inflation in China remained flat in June, indicating a weak post-reopening economic recovery. However, reports of further support measures for the property sector are pushing metal prices higher in early trading this morning.

The share of Russian aluminium stocks in LME warehouses has increased to 80.3% (218,025 tonnes) of the total in June, compared to 68.2% reported a month earlier, indicating that consumers continue to avoid exposure to Russian metal. That proportion has gone up for a fifth month in a row since the bourse started releasing the data in January. Meanwhile, the share of Indian aluminium stocks in the exchange warehouses dropped to 18.2% in June from 30.3% in May.

Yunnan Tin Co., China's biggest tin smelter, will halt production starting on 11 July for about 45 days for maintenance. However, the smelter believes the annual production target will remain unchanged as the scheduled maintenance was planned at the start of the year. Yunnan Tin produced around 45kt of tin ingot last year.

The latest forecast from the Ministry of Economy, Trade and Industry (METI) shows that crude steel production in Japan is expected to rise by 2.2% YoY (the first increase in seven quarters) to 22.3mt in the third quarter, following a moderate recovery in automobile production and higher exports. The group expects demand for steel products (including those for exports) to rise by 1% YoY to 20.4mt in the third quarter.

## Agriculture: US soybean estimates expected to be cut

The USDA's latest crop progress report shows that the US corn crop condition increased over the last week. The USDA rated 55% of the corn crop in good-to-excellent condition over the reporting week, up from 51% a week ago, but still below the 64% seen at the same stage last year. For soybeans, 51% of the soybean crop was rated good-to-excellent, up marginally from 50% the previous week, but below the 62% at the same time last year. All eyes in the grain market this week will be on the USDA's monthly WASDE report, which will be released on Wednesday. And expectations are that we will see some downward revisions to US soybean output estimates.

The latest update from the Joint Coordination Centre (JCC) showed that 151.8kt of crops were shipped from Ukrainian ports under the Black Sea Grain Initiative for the week ending 9 July, down about 45% week-on-week. The fall in volume reflects the uncertainty surrounding the extension of the Black Sea Grain Initiative which is up for renewal on 17 July. More than 32.7mt of Ukrainian crops have been shipped under the grain initiative since its commencement in July 2022.

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