

The Commodities Feed: China oil demand worries

Weaker-than-expected Chinese data have weighed on the complex, while US dollar strength has added further pressure



A large aluminium ore processing plant in China

Energy – China demand worries build

The price action in oil yesterday was choppy. US dollar movements, Chinese demand concerns and expectations of a tighter global oil balance through the third quarter of the year all contributed to this choppy session. However, with ICE Brent settling below US\$85/bbl, USD strength and Chinese demand worries were clearly the dominant drivers.

China's data dump yesterday was fairly bearish. Second-quarter GDP came in at 4.7% year-on-year, below the market consensus of 5.1%. In addition, refinery activity in China slowed further in June. Refineries processed around 14.25m b/d in the month, down 3.7% YoY. Meanwhile, cumulative crude processed over the first six months of the year came in at 14.5m b/d, down 0.4% YoY. Trade and output numbers also suggest that China's apparent oil demand fell to around 13.7m b/d in June, the lowest level since February 2023.

European natural gas prices edged lower yesterday. TTF settled 1.1% lower on the day as European gas storage broke above the 81% full mark. In the absence of any significant supply disruptions, storage is on track to hit 100% full ahead of the next heating season.

The LNG market continues to face some supply disruptions. The Freeport LNG export facility in the US has still not returned to normal operations following Hurricane Beryl. However, the plant is expected to go through a phased restart from this week.

Metals – China’s aluminium output hits record

Chinese aluminium output climbed to a record high for a second straight month. Production rose 6.2% YoY to reach 3.67mt in June as smelters have continued to increase output amid higher margins. China’s northern region of Inner Mongolia added new capacity, while the southwestern province of Yunnan resumed most of its capacity amid sufficient hydropower supply in the rainy season. Cumulatively, aluminium output rose 6.9% YoY to 21.55mt over the first half of the year, data from the Shanghai Metals Market (SMM) showed.

Most base metals traded under pressure yesterday on the LME, with aluminium prices falling to a three-month low, following disappointing growth data from China and USD strength. China’s economy grew 4.7% in the second quarter from a year earlier, the slowest pace in five quarters. China’s twice-decade Third Plenum meeting will now be in focus this week with more pressure on policymakers in Beijing to step up support as they set out their long-term economic and political policies.

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