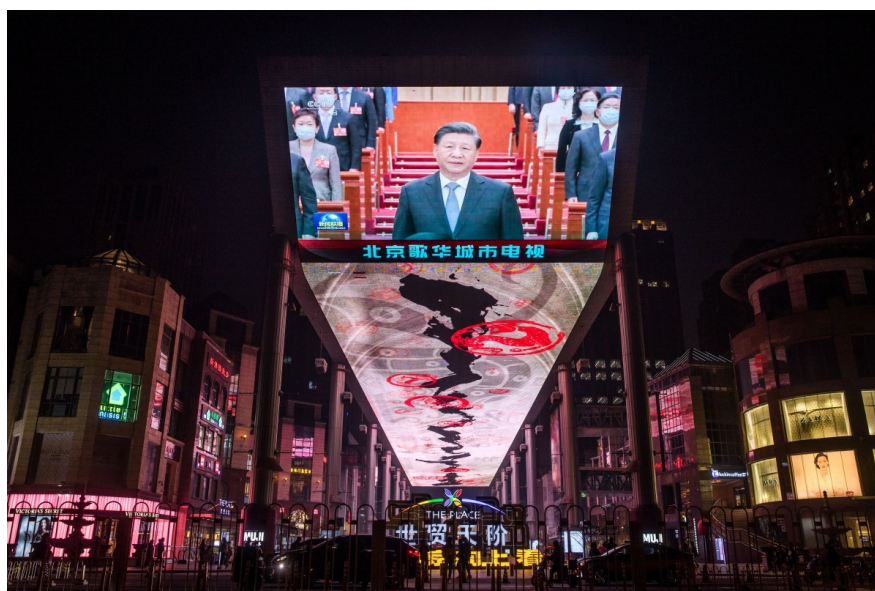


The Commodities Feed: China's 2023 growth target underwhelms markets

The commodity complex came under pressure this morning as China set a modest economic growth target of 5% for the year with no announcement of any major stimulus measures. Meanwhile, Saudi Arabia increased the official selling price for April loadings on healthy demand prospects



China holds two major political meetings, the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) each year, known as the 'Two Sessions'

Energy – Saudi Arabia hikes its official selling price for Asia and Europe

ICE Brent has been trading soft this morning after [China set a modest growth expectation of around 5%](#) for the year and avoided announcing any major stimulus plans to support the economic recovery. One of the crude oil pipelines in Nigeria that supplies crude oil to the Bonny export terminal reported an explosion and fire on Friday. The impact of it on crude oil loading and export remains uncertain for now, although disruption to exports cannot be ruled out. Nigeria has increased its oil production from 1.1MMbbls/d in September 2022 to 1.4MMbbls/d currently.

Saudi Arabia increased its official selling price for most regions and most of the grades for April loading on expectations of healthy demand for its crude oil. This is the second consecutive month

of price increases and reflects optimistic demand sentiment; the price hikes are largely in-line with the market expectations. The premium for Arab light supply to Asia has increased to US\$2.5/bbl (compared to US\$2/bbl) for April loadings while the same has been increased for European buyers from US\$0.5/bbl to US\$1/bbl. Premiums for US buyers were left unchanged.

The latest data from Baker Hughes shows that the US oil rig count declined for a third consecutive week, by eight over the last week to a total rig count of 592. US active rig counts have dropped to their lowest level since September 2022 amid softer crude oil prices and hints of slower production growth moving forward.

The latest market positioning data shows that managed money net longs in ICE Brent recovered by 9,447 lots over the last week to 286,000 lots as of 28 February 2023. The move higher was predominantly driven by short-covering where gross shorts dropped by 6,642 lots to a more than 10-year low of just 21,855 lots.

Metals – Power shortages in Yunnan to continue through 2023

Industrial metals edged lower in the morning trading session today (after ending higher on Friday) after the annual National People's Congress meeting in China did not announce any major new stimulus plans. The latest comments from the meeting highlight that "the government only aims to support and stabilise the economy, instead of issuing massive stimulus". The market was expecting some policy support for the slowing construction and industrial sector, which would boost demand for industrial metals.

The latest comments from the Yunnan Electric Power Department indicate that the region will continue to struggle with power shortages and uncertainties in power supply this year. Aluminium smelters in the area are currently unable to run at full capacity due to ongoing power rationing. Shanghai Metals Market (SMM) said that the two rounds of power restrictions have already impacted more than 40% of the local aluminium smelting capacity in Yunnan. As per the SMM estimates, the operating capacity of aluminium in the region has currently declined to 3.26mt compared to 3.37mt during the same period last year.

In copper, the latest LME data show that exchange inventories for copper reported inflows of 6,325 tonnes (the biggest daily addition since 14 November) for a second consecutive session. LME total inventory increased to 70,550 tonnes as of Friday, with most of the inflows reported from Busan warehouses. However, copper exchange inventories at Shanghai Futures Exchange reported a fall for the first time this year. The latest ShFE data show that copper weekly inventories at the exchange fell by 11,475 tonnes (the biggest weekly decline since 16 December) to 240,980 tonnes as of Friday.

Agriculture – Indian sugar output rises

The latest data from the Indian Sugar Mills Association (ISMA) shows that sugar production in the country rose by 1.8% year-to-year to 25.8mt through February in the 2022/23 season, which started in October 2022. The group further said that 467 mills were crushing cane by the end of February compared to 484 mills at the same time last year.

CBOT wheat has been trading soft recently (down around 13% from its recent highs) on reports of higher exports from Russia. The market reports suggest that wheat exports from Russia increased significantly over the first two months of the year as demand for Russian wheat in the Asian

market remains strong due to low prices and plenty of harvests. Some optimism around a renewal of the Russia-Ukraine grains export deal, which is set to expire on 18 March, has also been weighing on wheat prices.

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