

The Commodities Feed: China's refining activities slow further

The oil market traded under pressure in the early trading session today on the back of weaker-than-expected industrial production data and slower refining activity in China. A stronger USD amid a hawkish tone from the Federal Reserve added further pressure to commodity markets



Beijing, China

Energy – Oil remains under pressure

Sentiment in the oil market remains weak this morning. ICE Brent came under further pressure, while NYMEX WTI also traded around \$78/bbl on reports of China's oil refining activities slipping to the lowest rate this year as some of the plants extend their maintenance due to weak margins. Meanwhile, a stronger USD further added pressure to the complex.

The latest data from the National Bureau of Statistics (NBS) shows that crude oil refinery output in China fell 1.8% year-on-year in May, primarily due to planned/unplanned maintenance outages and curtailed processing rates on account of higher crude oil prices and lower margins. Chinese refiners processed 60.5mt (around 14.25m barrels/d) of crude oil last month. Cumulatively, China's crude oil processing has dropped by around 0.3% YoY to 301.8mt of crude oil over the first five months of the current year compared to around 8.7% of growth seen for the full year 2023.

Meanwhile, crude oil output in the country rose marginally by 0.6% YoY to 18.15mt (around 4.27m barrels/d), while cumulative production grew 1.8% YoY to 89.1mt (around 4.28m barrels/d) over the first five months of the year.

Weekly data from Baker Hughes shows that US oil rigs fell by four rigs for a third straight week over the last week, with the total oil rig count reaching 488 for the week ended 14 June 2024. This is the lowest number of active oil rigs since the first week of January 2022, and is down by 64 rigs from a year ago. Despite the falling oil rigs, the EIA last week reaffirmed its expectation that US crude oil production will be a record 13.2m barrels/d this year and 13.7m barrels/d in 2025. Gas rigs remain unchanged at 98 over the reporting week. The total rig count (oil and gas combined) stood at 590 over the reporting week, down from 594 a week earlier.

The latest positioning data from CFTC shows that speculators increased their net long position in NYMEX WTI by 40,393 lots, leaving them with net longs of 192,735 lots as of 11 June 2024. Similarly, money managers increased their net longs in ICE Brent by 26,008 lots (after a sharp decline reported in the preceding week), leaving them with a net long position of 71,686 lots as of last Tuesday. In products, the net bullish bets for gasoline rose marginally by 377 lots to 33,524 lots over the reporting week.

There is little on the energy calendar this week – just the usual weekly US inventory reports from the API and the EIA.

Metals – Chinese aluminium output hits record highs

The National Bureau of Statistics (NBS) numbers released this morning show that Chinese monthly primary aluminium production rose 7.2% YoY to reach a record high of 3.65mt in May as smelters brought back the idled capacity. Heavy rains helped to improve the hydropower reserves in the Yunnan province, which allowed domestic smelters to resume production activities. According to Bloomberg reports, another 330kt of capacity is expected to restart in the southern province by this month. Cumulatively, output rose 7% YoY to 17.8mt over the first five months of the year. Among other metals, monthly crude steel production rose 2.7% YoY to 92.9mt last month after reporting declines over the last few months. Steel production might remain under pressure over the coming months as mill margins continue to remain weak, while real estate demand also remains sluggish. Cumulative output rose almost 3% YoY to 574mt over the first five months of the year.

Meanwhile, steel inventories at major Chinese steel mills rose to 16.1mt in early June, up 10.4% compared to late May, according to data from the China Iron and Steel Association (CISA). Steel inventories are 1.8% higher than in the same period last year. Crude steel production at major mills rose by 3.3% from late May to 2.25mt/d in early June, the highest in eleven months.

Shanghai Futures Exchange (SHFE) inventory data shows weekly inventories for all the base metals (except lead) fell over the reporting week. Copper stocks fell by 6,211 tonnes (-1.8% week-on-week) after rising for six consecutive weeks to 330,753 tonnes, while aluminium inventories decreased by 1% WoW to 224,303 tonnes. Zinc and nickel stocks fell 1.4% WoW and 3.6% WoW respectively over the week. In contrast, lead inventories rose 2.5% WoW to 65,584 tonnes.

Lastly, the latest positioning data from the CFTC shows that speculators decreased their net longs of COMEX copper by just 325 lots for a third consecutive week to 54,643 lots as of 11 June 2024. The move was driven by falling gross longs and gross shorts by 2,095 lots and 1,770 lots

respectively. In precious metals, managed money net longs in COMEX gold decreased by 3,212 lots to 177,549 lots over the last reporting week. Similarly, speculators decreased net longs of silver by 6,201 lots for a second consecutive week to 29,600 lots as of last Tuesday.

Agriculture – UNICA reports lower cane crush

The latest fortnightly report from UNICA shows that sugar cane crushing in Centre-South Brazil stood at 45.2mt for the second half of May, down 3.4% from a year ago. The cumulative cane crushing rose 11.2% YoY for the 2024/25 season to reach 140.7mt. Meanwhile, sugar production stood at 2.7mt over the fortnight, with around 48.3% of cane allocated to sugar production. Cumulatively, sugar production rose by 11.8% YoY to 7.8mt.

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far rose 3% YoY to 48.7mt as of 14 June 2024. Total corn shipments stood at 27.8mt, while wheat exports rose 11% YoY to 17.9mt. In a separate data release, the ministry estimated that grain production could fall by 6.9% YoY to 56mt for the 2024/25 season. This includes wheat production of 21mt and corn production of 28.5mt for the period mentioned above. Grain and oilseed exports are expected to reach 60mt for the 2024/25 season. Among major crops, the ministry expects total wheat exports to stand at 15mt, while corn exports could stand at 25mt.

Recent data from France's Agriculture Ministry shows that 62% of the soft wheat crop is rated in good to excellent condition as of 10 June, in line with the previous week, but well below the 85% seen at the same stage last year. Corn plantings stood at 97% for the period mentioned above, largely in line with the five-year average of 100%.

The latest Commodity Futures Trading Commission (CFTC) data shows that money managers increased their net bearish bets in CBOT wheat by 13,432 lots for third straight week over the last week, leaving them with a net short position of 45,116 lots as of 11 June 2024. The move was predominantly driven by falling gross longs by 16,226 lots. Similarly, speculators increased their net short in CBOT soybean by 16,139 lots for a second consecutive week to 75,880 lots as of last Tuesday. The move was led by rising short positions with gross shorts increasing by 15,174 lots to 147,409 lots. The net speculative short positions in CBOT corn fell marginally by 427 lots after rising for three consecutive weeks to 212,279 lots over the last reporting week.

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