

# The Commodities Feed: Chinese oil import quota increased

Oil prices strengthened yesterday with little sign of de-escalation in the Middle East



## Energy – China increases oil import quota

Oil prices finished yesterday stronger on the back of little fresh developments. ICE Brent settled almost 2.4% higher on the day, taking it back above \$76/bbl. Prices, however, are under some pressure in early morning trading today. Possibly, yesterday's strength was in response to the lack of any outcome from US Secretary of State, Antony Blinken's, latest visit to Israel. There had been hopes that following the killing of Hamas leader, Yahya Sinwar, there could be some de-escalation in the war. On top of this, the market continues to wait for Israel's response to Iran's missile attack. The uncertainty around how this plays out would leave speculators hesitant to be too short the market, something speculators had been before this most recent escalation, due to demand concerns and a bearish 2025 outlook.

Numbers from the API overnight showed that US crude oil inventories increased by 1.6m barrels over the last week, a bit above the roughly 1m barrel build the market was expecting. Meanwhile, refined products saw draws with gasoline and distillate fuel oil inventories falling by 2m barrels and 1.5m barrels, respectively. The more widely followed EIA weekly report will be released later today.

The Chinese government increased the 2025 crude oil import quota for private refiners by 6% year-on-year to 257m tonnes (a little over 5.1m b/d), after keeping it unchanged for four

consecutive years. The higher quota comes as new refining capacity ramps up, while quotas could still be adjusted depending on demand and capacity. However, refiners that have not imported crude oil over the last two years will not be allocated any quotas.

European gas prices strengthened yesterday with TTF continuing to trade above EUR40/MWh. Middle East tension continues to support gas prices, while a production halt at Equinor's Sleipner B platform in the North Sea would have also provided some upside. In addition, dry weather conditions in Brazil have reduced hydropower generation, leaving Brazil to rely more on LNG imports for power generation. A continuation of this in the months ahead would leave the global LNG market tighter than expected over the Northern Hemisphere winter.

## Metals – Global steel output falls

Global steel production declined by 4.7% YoY to 143.6mt in September due to lower output from major producers, including China, Japan, and Russia, the latest data from the World Steel Association (WSA) shows. Cumulatively, global steel output fell 1.9% YoY to 1,394.1mt over the first nine months of the year. Chinese steel production fell 6.1% YoY to 77.1mt last month, while cumulative output declined 3.6% YoY to 768.5mt in Jan'24-Sep'24. Production in Russia and Japan decreased by 10.3% YoY and 5.8% YoY respectively in September.

In copper, the International Copper Study Group's (ICSG) latest update shows that the global copper market remained in a surplus of 54kt in August. The group estimates a total surplus of 535kt over the first eight months of the year as the production growth rate outpaced the demand recovery. The supply surplus was higher when compared to a surplus of just 75kt during the same period last year. Global mine and refined copper production increased by 2% YoY and 5% YoY, respectively, while overall apparent refined demand increased by 2.5% YoY over the first eight months of the year.

The latest LME COTR report shows that investors decreased their net bullish position for copper by 642 lots to 72,114 lots for the week ending 18 October 2024. A similar move was seen in zinc, with speculators decreasing their net bullish bets by 40 lots to 38,029 lots over the last reporting week. In contrast, money managers increased net bullish bets for aluminium by 8,676 lots to 120,478 lots as of last Friday.

## Agriculture – Cocoa falls on higher port arrivals

Cocoa futures trading in New York extended losses for a third straight session with prices falling more than 5% at one point yesterday, on account of higher bean deliveries reported to ports in the Ivory Coast. Data shows that bean arrival at Ivorian ports totalled 192.8kt as of 20 October, up 13% from last year. Favourable weather conditions are also expected to benefit the Ivorian crop. Last week, the Ivory Coast raised its 2024/25 harvest forecast by 10% to 2.1-2.2mt, following a fresh count of pods the previous month.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@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](http://www.ing.com).