The Commodities Feed: Copper drops from three-month high after weak China manufacturing data

Copper dropped from a three-month high this morning after weak manufacturing data from China added to concerns over the economic recovery in the world's biggest metal consumer

Workers on a copper foil production line in Jiangxi Province

Energy: European economic data helps sentiment

ICE Brent maintained the positive trend yesterday and settled at a fresh three-month high of US$85.6/bbl on supply-side risks combined with a positive set of economic data from Europe. Eurozone inflation dropped further to 5.3% in July compared to 5.5% in June and the economics team at ING believes that inflation should be materially lower towards the end of the year. Meanwhile, EU GDP growth returned to positive territory last quarter at 0.3% quarter-on-quarter compared to negative 0.1% in the preceding quarter.

On the supply side, the Alberta Energy Regulator reported that crude oil production in Alberta, a major crude oil production region in Canada, dropped by 21% year-on-year to 2.7MMbbls/d in June 2023. The June production numbers do not include production from Suncor, one of the largest producers in the country. Meanwhile, the suspense over Saudi's plan for September production continues, and the market is waiting for any hint or confirmation during the OPEC+ Joint Ministerial Monitoring committee meeting that is scheduled for this Friday.

On the products side, recent market reports suggest that oil processing rates in Russia could move higher in August, as major refineries complete their ongoing spring maintenance and as refineries maximise the operating rates to take advantage of the final month of full government subsidies. Russia has announced it will cut subsidies in half for domestic supplies of diesel and gasoline from September through 2026.

Metals: Chile copper production falls

Copper, along with other base metals, traded lower in the morning session as weak manufacturing data from China raised concerns over the expected economic recovery in the country. The Caixin manufacturing purchasing index reached a six-month low of 49.2 in July from 50.5 reported a month earlier. It also remained lower compared to the average market expectation of 50.1. Meanwhile, a struggling real estate sector in China is also weighing on the metals complex. Preliminary data from China Real Estate Information Corp. shows that home sales by the country's biggest developers contracted 33% year-on-year (the most in a year) in July.

The latest data from the National Statistics Institute of Chile shows that copper output fell by 1% YoY to 458kt in June due to a slowdown in manufacturing production. Cumulatively, copper output declined by 4% YoY to 2.55mt in the first half of the year, following a series of operational issues this year.

As for zinc, LME data shows that total cancelled warrants rose by 7,425 tonnes for a second consecutive day, taking the total to 35,150 tonnes as of yesterday, the highest since 5 August 2022. Most of the inflows were reported from Singapore warehouses. Net increases for July totalled 22,650 tonnes as of yesterday when compared to the net increase of 6,825 tonnes during the same period last month. Meanwhile, total exchange inventories rose by 525 tonnes for a third consecutive day to 99,675 tonnes (highest since 26 April 2022) as of yesterday.

Agriculture: USDA slashes corn and soybean crop ratings

CBOT corn extended losses for a fifth consecutive session yesterday on the prospect of improving weather conditions in the Northern Hemisphere, with the hot and dry weather conditions coming to an end this week, although adverse weather over the preceding few weeks has continued to hurt the current crop.

The USDA's latest weekly crop progress report rated 55% of the corn crop to be in good-to-excellent condition, compared to 57% last week and 61% reported last year; the market was expecting 56% of the crop to be rated in good-to-excellent condition. Meanwhile, the agency rated 52% of the soybean crop as good-to-excellent, lower than 54% from a week ago and 60% reported a year ago. The market was expecting a number closer to 53%. For wheat, the USDA data showed that 80% of the winter wheat crop was harvested as of 30 July, compared to 68% from a week ago and 81% at the same stage last season. The market was expecting the harvest to reach 78%.

The USDA's weekly export inspection data for the week ending 27 July pointed towards improving demand for US grains. The USDA's export inspections of corn stood at 522.9kt in the above-mentioned period, higher from 329.8kt in the previous week but lower in comparison to the 905.3kt reported a year ago. Similarly, US soybean export inspections stood at 329.5kt, higher compared to 288.5kt from a week ago but lower than the 595kt from a year ago. For wheat, US export inspections stood at 581.3kt, up from 361.1kt from a week ago and 282.1kt reported a year ago.

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