

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.

Authors

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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 <http://www.ing.com>.