

The Commodities Feed: Copper near seven-month high on China optimism

Copper was trading near a seven-month high amid continued optimism that China's reopening from Covid lockdowns will boost demand for the red metal



Energy – Price cap on Russian oil products

ICE Brent has been trading steady at around US\$87.5/bbl in the morning trade today after making gains over the last week on the prospects of improving demand from China. For products, ICE gasoil crack spread increased to a one-month high of US\$42.3/bbl as the European ban on Russian diesel cargoes approaches, while the US also announced plans to put a price cap on Russian oil products.

The US and its European allies have agreed to institute a price cap on Russian oil products along with an existing cap on Russian crude oil prices to curb Russian oil revenues. The price cap on refined products comes into effect on 5 February; the group is set to meet in March to review the existing price cap on Russian crude oil prices. Currently, the price cap on Russian crude oil is set at US\$60/bbl, which is significantly below the current market price of Brent oil with some European countries pushing for an even lower price cap.

Crude oil flows at TC Energy's Keystone crude oil pipeline system have recovered to around

559Mbbls/d after falling to less than 200Mbbls/d earlier last week due to power outages. The company had declared a force majeure for crude oil deliveries for the rest of the month due to supply disruptions. The pipeline carries more than 600Mbbls/d of oil and is a major transport channel for oil fields in Canada to refiners in the Midwest including Cushing, Oklahoma.

The latest positioning data from CFTC shows that speculators increased their net long position in NYMEX WTI after two consecutive weeks of decline by 25,867 lots (the biggest daily addition since August) over the last week, leaving them with net longs of 182,052 lots as of 17 January. Meanwhile, money managers also boosted their net longs in ICE Brent by 55,340 lots over the last week, leaving them with a net long position of 212,452 lots as of last Tuesday.

Metals – Global aluminium output remains strong

The latest numbers from the International Aluminium Association (IAI) show that the global primary aluminium increased to 189kt/day in December, compared to 188.6kt a month earlier. Total monthly output for the metal rose 6% year-on-year (+3.6% month-on-month) to 5.86mt last month. Cumulatively, production rose 2% YoY to a total of 68.4mt in 2022. Similarly, Chinese output rose 11.6% YoY (+3.3% MoM) to 3.47mt last month with full-year output rising 4% YoY to 40.4mt in 2022. Meanwhile, aluminium production in Western and Central Europe also posted recovery on a monthly basis with output rising by 3.6% YoY to 232kt in December. However, it continued to remain suppressed on a yearly basis with production declining by 16.5% YoY last month as domestic smelting activities were impacted by higher power prices. Aluminium production in Asia (ex-China) increased by 2.9% MoM last month, while year-to-date output gained 2% YoY last year.

With copper, Glencore said that operations at its Antapaccay copper mine in Peru were halted on Friday as protesters in the country entered and damaged a worker camp. Meanwhile, the transportation of copper concentrates continues to remain temporarily suspended. The company also mentioned that before the incident, mine was operating with only 38% of its workforce due to the ongoing protests in the nation. The mine accounts for 8% of Peru's total copper exports. However, despite the ongoing mine supply disruptions and exchange inventories standing at historically low levels, the LME cash/3m spread moved in a contango last week. As per the recent LME data, the cash/3m spread for copper widened to a contango of US\$16.2/t as of Friday, when compared to a contango of US\$4.5/t a day earlier.

Copper was trading near a seven-month high amid continued optimism that China's reopening from Covid lockdowns will boost demand for the red metal while supply concerns in Peru linger.

For lead, the latest LME data shows that exchange inventories for the metal declined by 725 tonnes (-3.5% DoD) to 20,250 tonnes (the lowest since March 1990) as of Friday. The majority of the declines were reported from Singapore and Trieste warehouses.

Lastly, the latest CFTC data show that speculators increased their bullish bets in COMEX copper by 6,452 lots for a second consecutive week over the last reporting week, leaving them with a net long position of 35,248 lots as of last Tuesday. In precious metals, speculators increased their bullish bets in COMEX gold by 10,783 for a seventh consecutive week, to leave them with a net long of 93,357 lots as of last reporting week.

Agriculture – Speculative net bearish bets for CBOT wheat increase

The latest CFTC data show that money managers increased their net short position in CBOT wheat by 1,955 lots to 65,089 lots (most bearish in almost four years) as of 17 January, amid expectations of easing supply worries. The move was dominated by rising shorts positions with gross shorts increasing by 1,657 lots to 118,818 lots. For soybean, speculators increased their net longs by 36,594 lots over the last week, leaving them with a net long position of 168,298 lots. The move was predominantly driven by rising long positions with gross longs increasing by 29,027 lots to 186,794 lots. Similarly, speculative net longs in CBOT corn increased by 42,532 lots to 192,137 lots.

The USDA's weekly export inspection data shows the demand for US grains remained strong over the last week. US weekly inspection of soybean for exports rose to 986kt over the last week, higher when compared to 783kt in the previous week and the average market expectation of 865kt. Similarly, corn shipment inspections rose to 1.13mt over the last week, significantly higher when compared to 278kt from a week ago and the average market expectation of 475kt. Meanwhile, wheat export inspections rose last week from 92kt to 473kt, while also remaining higher when compared to the market expectation of 258kt.

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>.