

The Commodities Feed: Copper spread tightens on inventory withdrawals

Oil prices are trading under pressure this morning on demand side uncertainties as Saudi Arabia increased the official selling price for July deliveries for all regions. LME copper continues to see inventory withdrawals as demand in Asia picks up



Energy – Saudi increases the official selling price for oil

Saudi Arabia increased its official selling price for all regions for July, a day after the nation pledged an additional oil supply cut for the same month. Saudi Aramco will sell the Arab Light crude for buyers in Asia at a US\$3/bbl premium for July deliveries, an increase of US\$45/bbl compared to June 2023.

The premium for the US and European deliveries has increased by US\$90/bbl, while buyers in the Mediterranean region will see an increase of US\$60/bbl. The hike in premium comes as a surprise considering ongoing demand concerns and that Saudi Arabia has been pushing for supply cuts to bring the oil market into balance.

Metals – Declining copper on-warrant stocks tighten LME spread

Recent LME data shows that total on-warrant stocks for copper dropped by 17,750 tonnes – the

biggest daily decline since October 2021 – for a second consecutive session to 71,575 tonnes (the lowest level in almost a month) as of yesterday. The majority of the outflows were reported from South Korea's Busan warehouses. Meanwhile, cancelled warrants for copper rose by 18,025 tonnes after declining for three consecutive sessions to 27,375 tonnes yesterday, signalling potential further outflows. The cash/3m for copper stood at a contango of just US\$4/t as of yesterday – compared to YTD highs of a contango of US\$66.26/t from 23 May – indicating supply tightness in the physical market.

In mine supply, Peru's latest official numbers show that copper output in the country rose 30.5% year-on-year (+1.2% month-on-month) to 222kt in April. The majority of the annual production gains came from the higher output levels from mines like Southern Peru Copper, the Las Bambas and Cerro. Cumulatively, copper production grew 15.7% YoY to 837.5kt in the first four months of the year. Among other metals, zinc production in the nation increased 31.4% YoY to 130.6kt in April.

In ferrous metals, the most active contract of iron ore trading at the Singapore Exchange extended its upward rally for a fifth consecutive session and traded above US\$108/t this morning on speculations of more supportive steps from China to accelerate its economic growth. The recent market reports suggest that the People's Bank of China is likely to cut the reserve-requirement ratio for banks and might also lower interest rates in the second half of the year. Meanwhile, BBG also reported that the Chinese government is preparing a new batch of measures to push growth in the property market.

Agriculture – US crop planting maintains the pace

The USDA's latest crop progress report shows that US corn plantings continue to rise with 96% of plantings completed as on 4 June, compared to 93% of planting done at this point in the season last year and the 5-year average of 91%. Similarly, soybean plantings are also growing, with 91% planted as of 4 June – well above the 76% seen at the same stage last year and the 5-year average of 76%. Meanwhile, spring wheat plantings are 93% complete. This is above the 81% planted at the same stage last season and in line with the 5-year average. Meanwhile, the agency rated around 36% of the winter wheat crop in good-to-excellent condition, up from 34% a week ago and 30% seen last year.

The USDA's weekly export inspection data for the week ending 1 June indicated a drop in demand for US grains over last week. The agency stated that US corn export inspections stood at 1,181kt, lower from 1,346.4kt in the previous week and 1,458.5kt reported a year ago. For wheat, export inspections stood at 291.6kt, down from 391.3kt from the previous week and 355.3kt reported a year ago. Similarly, soybean export inspections fell to 214.2kt, compared to 243.1kt from a week ago and 370kt from a year ago.

The director general of the Ivory Coast's cocoa regulator, Conseil Café Cacao, stated that the domestic cocoa crop is expected to improve in 2022-23 (compared to the previous year) despite intensifying concerns about a potential outbreak of the swollen shoot virus. Ivory Coast cocoa production is stabilizing despite a slow start, taking the season's harvest projections between 2mt-2.2mt. Last week, the International Cocoa Organization (ICCO) projected an increase of 4% in Ivory Coast's cocoa output this season, reaching 2.20mt.

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