# The Commodities Feed: Copper surges to 11-month high

Copper rallied to an 11-month high yesterday as major smelters in China pledged to control capacity. Meanwhile, reports of the latest drone attacks by Ukraine at three oil facilities in Russia pushed oil prices higher

Aerial view of the Santa Rita strip copper mine near Silver City, NM

## Metals - Copper rallies as Chinese smelters weigh output cuts

Copper rallied to its highest level seen in 11 months yesterday as major smelters in China pledged to control capacity. Executives from 19 smelters have agreed to re-arrange maintenance work, reduce runs and delay the startup of new projects, the China Nonferrous Metals Industry Association said in a statement following a meeting on Wednesday. The statement didn't give any further details on the adjustments.

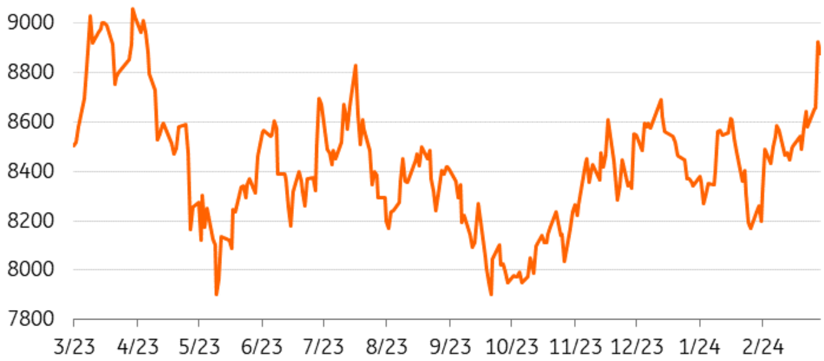
Copper spot treatment charges in China fell to the lowest in over a decade after the country's expansion of its smelting and refining capacity. The shift is largely driven by China's strategic need for copper as demand from the green energy sector grows for the red metal. The increase in smelting is making China less dependent on imported copper metal.

Meanwhile, mining companies are facing increasing social and environmental scrutiny. Most recently in Panama, Canada's First Quantum mine has ignited massive protests in the country and has been forced to shut down activity. Cobre Panama copper mine is one of the world's largest sources of copper, accounting for 1% of global copper output. This comes at a time when output from existing mines is close to a peak due to declining ore grades.

Annual contracts between smelters and miners were set at US$80/t for 2024, a decline of 9% year-on-year. Treatment charges are a key sign for the future direction of copper. This marked the first decline in treatment and refining fees in three years and followed a six-year high set for 2023. A recovery in spot treatment in charges will be dependent on the extent of the response from smelters.

We see copper prices moving higher in the second quarter (which is seasonally the strongest quarter of the year) to average $8,500/t from an average of $8,400/t in the first quarter.

## Copper hits 11-month high




Source: LME, ING Research

## Energy – Oil jumps on disruptions at Russian refineries

The oil market moved higher this morning, with ICE Brent trading above US$84/bbl, while NYMEX WTI hovered around US$80/bbl at the time of writing. Oil moved higher following drone strikes by Ukraine, disrupting the operations at oil refineries in Russia. Meanwhile, yesterday's EIA oil inventory report confirmed the first withdrawal in almost two months.

Drone attacks carried out by Ukraine yesterday have halted operations at three oil refineries in Russia. It is reported that Rosneft PJSC's Ryazan plant near Moscow (one of the biggest crude-processing facilities in Russia) was set on fire yesterday and was forced to halt operations. The refinery has an operating capacity of around 340Mbbls/d and is a major supplier of motor fuels for the domestic market. Operations at the Novoshakhtinsk refinery in the southern Rostov region with a capacity of 112Mbbls/d and Lukoil PJSC's Norsi plant were also disrupted due to drone attacks. These three refineries together hold about 12% of the oil-processing capacity share in Russia.

The EIA's weekly inventory report was fairly constructive for the oil market yesterday. Commercial crude oil inventories in the US fell by 1.5MMbbls over the week, driven by rising refinery capacity usage as the maintenance season ends. This was the first withdrawal reported in seven weeks. Earlier, API reported an inventory withdrawal of 5.5MMbbls, while the market expected a build of around 0.3MMbbls. Total crude oil inventory (excluding SPR) at around 447MMbbls remains about

3% below the five-year average at this point in the season. Oil inventories at Cushing, Oklahoma, decreased by 0.22MMbbls to 31.5MMbbls. US crude oil imports fell by 1.7MMbbls/d to around 5.5MMbbls/d, while exports decreased by 1.5MMbbls/d to around 3.1MMbbls/d. Meanwhile, US crude oil production is estimated at 13.1MMbbls/d, slightly down from 13.2MMbbls/d a week before.

In refined products, gasoline stocks fell sharply by 5.7MMbbls for a sixth consecutive week, taking the total stocks to 234.1MMbbls, the lowest since December. The market was expecting a drawdown of around 1.6MMbbls. The extended decline in the US gasoline stocks has provided further upside momentum to gasoline cracks, with the prompt RBOB crack breaking above US$32/bbl, a level not seen since August 2023. US gasoline futures are already up almost 15% on a year-to-date basis while reaching their highest level since September yesterday, as the demand continues to strengthen ahead of the peak US driving season.

However, distillate stockpiles rose by 0.9MMbbls last week, compared to expectations for a decline of 0.7MMbbls. Meanwhile, refineries operated at 86.8% of their capacity, up from 84.9% in the previous week but 1.4% lower than the same period last year.

## Agriculture – Sugar prices fall on rising supply

Recent estimates from the Indian Sugar Mills Association (ISMA) show that gross sugar production (including sugar diverted for ethanol production) in India could rise to 34mt in the 2023/24 season, compared to its previous forecast of 33.05mt. The rise in estimates was largely driven by the delayed start for cane crushing and the government restricting sugar diversion for ethanol production. Sugar prices came under pressure yesterday following the higher output estimates from India, combined with rising supply expectations from Thailand.

France’s Agriculture Ministry estimates the 2023/24 French soft wheat inventories at 3.7mt, higher than its previous estimates of 3.5mt. This would be the highest since the 2018/19 season if realised. Expectations for soft wheat exports were slightly lowered to 16.5mt from its previous estimates. As for corn, stockpile estimates were increased from 2.35mt to 2.44mt for the 2023/24 season.

In its latest report, the Rosario Board of Trade increased soybean production estimates for Argentina by around 0.5mt to 50mt for the 2023/24 season due to favourable weather (recent rains in February). The Board kept corn production estimates unchanged for now at 57mt for the period mentioned above. Meanwhile, only 3% of corn has been collected so far this season, compared to 10% for the same period last year, as the recent rains and damage caused by crop disease have delayed the harvest progress.

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