

The Commodities Feed: Copper TCs plunge to decade lows

Overcapacity and continued expansion in the smelting industry in China have led to a steep fall in the copper treatment charges. Meanwhile, exchange inventories for copper continued to rise, putting additional pressure on the red metal



Metals – Chinese copper smelter charges plunge

Copper treatment charges in China fell to the lowest in over a decade as domestic producers failed to implement the required voluntary production cuts. The spot treatment charges in China fell to US\$19.8/t this week, the lowest since 2013, according to Fastmarkets data. China's refined copper output surged to a record high in December 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. This might lead to an oversupply of refined metal, which sets the LME price. 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.

Prices of most of the industrial metals trading at the LME ended lower yesterday as the expected pick-up in demand in China post-Lunar holidays has so far disappointed. LME copper prices led the declines among base metals yesterday, with prices falling over 1% DoD at the close as exchange inventories rose along with a slow recovery in Chinese demand. China's refined copper has been trading at a discount of -30CNY/t (the highest discount in almost a month) reflecting slowing domestic demand.

Meanwhile, exchange inventories for copper reported inflows of 4,925 tonnes (the biggest daily addition since 5 December) for a second straight session, with total inventory rising to 127,825 tonnes as of yesterday, according to the recent data published by the LME. The majority of the inflows were reported from warehouses in Rotterdam. Meanwhile, on-warrant stocks rose by 4,375 tonnes to 105,250 tonnes as of yesterday. The cash/3m spread for copper slipped into a deeper contango of US\$104.5/t as of yesterday, compared to a contango of US\$92.5/t a day earlier, indicating ample supply availability in the physical market.

Energy – Oil rises amid improved sentiment

Oil prices edged higher this morning amid expectations of stronger spot crude purchases in China and a stronger physical market in the US. There are suggestions that China has been buying crude cargoes at an accelerated pace since the mid-February holiday, while also increasing its term supplies from Saudi Arabia in March. The increased purchase from the country could also be attributed to the advance buying made ahead of the maintenance work when refiners typically reduce imports.

Recent local media reports suggest that Russia has approved a six-month ban on the exports of gasoline starting from 1 March 2024. However, the ban does not apply to gasoline exports to the Eurasian Economic Union, Mongolia and Uzbekistan. The move came as the domestic market will soon see increased demand due to spring field work, repairs at refineries and summer holidays. However, the announcement is not expected to have a large impact on the global gasoline market as Russia consumes most of the gasoline it produces.

Agriculture – Mixed crop forecasts due to unfavourable weather

In its monthly crop monitoring Mars report, the European Commission said that the winter cereal and oil seed crops were negatively affected in most growing regions of Europe. Lower rainfall and high temperatures (usually above the long-term average) in many parts of Southern Europe are causing concern for the growing crop season. Meanwhile, excessive rainfall in some regions didn't affect the quality of the grain crops.

Weekly export inspection data from the USDA for the week ending 22 February shows that US corn and wheat inspections rose, while soybean exports eased over the last week. Export inspections of corn stood at 1,241.7kt, up from 1,052.2kt in the previous week and 649.3kt reported a year ago. Similarly, US wheat export inspections rose to 482kt, above 419.8kt a week ago but down from the 653.3kt reported a year ago. Meanwhile, US soybeans export inspections stood at 975kt, compared to 1,291.4kt a week ago and 765.6kt for the same period last year.

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