The Commodities Feed: Oil demand risks linger

Weak Chinese oil import data has added fresh concerns for the oil market. The EIA report also failed to provide support as a significant rise in the refined product inventories clouded the expectations for a seasonal demand pickup

Energy – China's crude oil imports drop

The weakness in the oil market persists, with ICE Brent settling down by around 4% yesterday to below US$75/bbl; ICE Brent has dropped by nearly 10% since the OPEC+ meeting. Weaker demand data from China has further weighed on the sentiment in the short term.

The latest trade data from China shows that crude oil imports in the country dropped 9.2% YoY (first annual decline since April) to 42.4mt (10.3MMbbls/d) in November on slowing demand from refineries, weak economic indicators, and higher inventories. Comparatively, China imported around 49mt of crude oil in October 2023, showing a big fall in demand for the fuel. Cumulatively, China's crude imports have increased by 12% YoY to 515.6mt for the first eleven months of the year, although most of it could be attributed to high imports in the 2nd and 3rd quarters of the year.

The EIA's weekly US inventory report was fairly mixed yesterday. US commercial crude oil inventories fell by 4.6MMbbls over the last week as the refineries increase their capacity usage during fall maintenance. Earlier, API reported an inventory withdrawal of 0.6MMbbls while the market expected withdrawals of around 0.8MMbbls. Total crude oil inventories (excluding SPR) now stand at 445Mbbls and are about 1% below the five-year average. Meanwhile, oil inventories at Cushing, Oklahoma fell by 1.83MMbbls to 29.6MMbbls. The EIA said that the US crude oil production fell by 0.1Mbbls/d to 13.1MMbbls/d last week.

As for refined product inventories, gasoline inventories rose by 5.4MMbbls, against a forecast for a buildup of 1.2MMbbls. Distillate stockpiles increased by 1.3Mbbls last week, higher than the expectations for a buildup of 1.1MMbbls. Meanwhile, refineries operated at 90.5% of their capacity, up 0.7% from the previous week, but 5% lower than the same period last year.

Metals – China copper imports remain strong

China released its preliminary trade data for metals this morning, which shows total monthly imports for unwrought copper jumping 2% YoY (+10% MoM) to 550.6kt in November amid falling domestic inventories and stronger CNY. This is the highest import figure since December 2021. However, cumulative imports are still down 6% YoY and totalled around 5mt over the first eleven months of the year. Imports of copper concentrate rose 1.4% YoY (+5.8% YoY) to 2.44mt last month as the strong domestic refined output supported the import demand for raw material. Year-to-date imports rose 8.4% YoY to 25.1mt during Jan'23-Nov'23. In ferrous metals, iron ore monthly imports rose 3.9% YoY to 102.7mt (highest since August) in November amid expectations of recovering demand in the downstream industry. Cumulatively, imports gained 6.2% YoY to 1078mt over the first eleven months of the year.

On the exports side, China's unwrought aluminium and aluminium products shipments rose 7.5% YoY to 489.6kt last month. However, year-to-date exports declined 15.3% YoY to 5.2mt over the first eleven months of the year. Meanwhile, exports of steel products jumped 35.6% YoY to 82.7mt during Jan'23-Nov'23.

As for zinc, the latest LME data shows that cancelled warrants for zinc rose by 18,800 tonnes for a second consecutive session to 57,175 tonnes as of yesterday, the highest since 6 September. The majority of the outflows were reported in Singapore warehouses. Meanwhile, on-warrant stocks for zinc reported outflows of 21,225 tonnes to 161,475 tonnes, while exchange inventories fell for a fifth straight session to 218,650 tonnes as of yesterday. Despite the fall of the exchange inventories, the cash/3m spread for zinc slipped to a contango of US$9.15/t as of yesterday, compared to a contango of US$7.5/t a day earlier, indicating no immediate supply tightness in the physical market.

Agriculture - Coffee production in Africa declines

The latest data from the International Coffee Organization shows that African coffee production in 2022/23 fell by 7.3% YoY to 17.9m bags (60 kg bags), down from 19.3m bags (60 kg bags) for the previous season. The decline was mainly due to low production in Ivory Coast, where output dropped 65% YoY to 600k bags. Along with that, Uganda and Kenya coffee production also declined by 6.7% YoY and 3.9% YoY to 5.6m bags and 730k bags, respectively.

The latest trade numbers from Chinese Customs show that China's soybean imports rose 7.8% YoY to 7.9mt in November, as cheaper supplies from Brazil continued to dominate the import market share. Cumulative imports rose 13.3% YoY to 89.6mt over the first eleven months of the year.

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