

## The Commodities Feed: FOMC day

OPEC+ meet today, which is expected to be a non-event. However, today's FOMC meeting will likely be of more interest to market participants



### Energy - OPEC+ to meet

The oil market had a choppy trading session over the last day of January. Brent initially came under pressure, although a broader risk-on move saw oil still manage to settle higher on the day.

API numbers released overnight were relatively bearish. The numbers show that US crude oil inventories increased by 6.3MMbbls over the last week. In addition, crude inventories at the WTI delivery hub, Cushing, are reported to have increased by 2.7MMbbls and justify the contango that we are seeing at the front end of the WTI forward curve. The bearishness did not stop at crude with both gasoline and distillate stocks increasing by 2.7MMbbls and 1.5MMbbls respectively. The EIA will release its weekly inventory report later today.

Today will also see a handful of OPEC+ members gather for the Joint Ministerial Monitoring Committee meeting. Given that this meeting will not consist of all OPEC+ members, we will not see the group agree to any changes in output policy. The meeting could shed some more light on how the group sees the outlook evolving in the months ahead and also whether the sub-group has any recommendations on output policy. We believe any recommendation will be to keep output targets unchanged, given the level of uncertainty in the market.

## Metals – Gold demand jumps to a decade high

Gold demand in 2022 climbed to its highest level since 2011, driven by a surge in buying from central banks, according to the World Gold Council. Annual gold demand increased 18% last year to 4,741 tonnes. Purchases by central banks more than doubled to 1,136 tonnes, with most of this buying occurring over the second half of the year. Central bank purchases of the precious metal hit 417 tonnes in the last quarter of the year, about 12 times higher than the same quarter a year ago. Only about a quarter of the Q4 central bank purchases were reported to the IMF. Reported purchases in 2022 were led by Turkey, which took in almost 400 tonnes, China, which reported buying 62 tonnes in November and December, and Middle Eastern nations. During times of economic and geopolitical uncertainty and high inflation, banks appear to be turning to gold as a store of value. Given that the current unsettled geopolitical environment is likely to persist, we believe central banks will continue to add to their gold holdings in the coming months.

Refined copper output in China rose 3.6% YoY to 961kt in December, according to the latest data from the National Bureau of Statistics. Cumulative copper output rose 4.5% YoY to 11.1mt for the full-year 2022. Among other metals, zinc output rose 4% YoY to 620kt, while lead production increased by a marginal 0.8% YoY to 756kt last month.

The latest data from China Iron and Steel Association (CISA) shows that steel inventories at major Chinese steel mills rose to 16.1mt in mid-January, up 7.9% compared to early January. Crude steel production at major mills also edged higher to 1.94mt/d during the above-mentioned period.

## Agriculture – ISMA lowers Indian sugar production estimates

The Indian Sugar Mills Association (ISMA) revised its estimate for domestic sugar production down from 36.5mt to 34mt for the 2022/23 season. This latest estimate is also below the 35.8mt produced last season. There have been concerns expressed over the Indian crop in recent weeks as heavy rainfall in some growing regions cut cane availability, which will likely force some mills to end the current season earlier than expected. Expectations of a lower crop also raise concern over whether the Indian government will allow further sugar exports this season. Late last year, the government approved the export of a little over 6mt of sugar and depending on how the crop developed, said further exports could be allowed. Obviously, it is looking less likely that we will see a further tranche of exports approved. This means a tighter global sugar market, particularly during the Center-South Brazilian off-crop. No.11 raw sugar prices rallied by more than 2.5% yesterday on the news and traded to their highest levels since November 2016.

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