The Commodities Feed: Further oil supply disruptions

The oil market saw a second day of gains yesterday with Friday's strong US jobs report providing support. In addition, the oil market is seeing further supply disruptions

Energy – Canadian supply disruptions

The oil market continued its recovery yesterday with ICE Brent settling almost 2.3% higher on the day. Friday's stronger-than-expected US jobs report provided some further support to the oil market. In addition, supply issues remain. Firstly, the market is still awaiting the resumption of Northern Iraqi oil flows via Ceyhan in Turkey, which is keeping in the region of 450Mbbls/d from the market. And secondly, wildfires in parts of Alberta, Canada has led to the shut-in of oil and gas infrastructure. The fires are affecting the key gas production region. According to Bloomberg, at least 234Mbbls/d of oil and gas production has been shut in as a result of the fires. This has seen differentials for both Edmonton mixed sweet and Syncrude sweet crude strengthen. For West Canada Select, there has been little change in differentials with fires not affecting the oil sands production areas.

The latest trade data from China this morning shows that crude oil imports in April averaged 10.36MMbbls/d, this is down from 12.37MMbbls/d in the previous month and also lower than the 10.52MMbbls/d imported in April last year. Weaker imports are not too much of a surprise given that refiners had reduced operating rates due to maintenance. However, cumulative imports for the year are still up 4.6% year-on-year to average 10.92MMbbls/d. As for refined product exports, these totalled 3.75mt in April, down from 5.45mt in March and 1.8% lower YoY. Cumulative product exports are still up 44.3% YoY to total 21.9mt.

Later today, the EIA will release its short-term energy outlook, which will include its latest forecasts for US crude oil production. In last month's report, output for 2023 was forecast to grow 657Mbbls/d YoY to average a record 12.54MMbbls/d, whilst for 2024 production was forecast to grow by a more modest 211Mbbls/d YoY to 12.75MMbbls/d.

Metals – China continues to boost gold reserves

China continued to increase its gold reserves for a sixth consecutive month in April, according to data from China's State Administration of Foreign Exchange (SAFE). The People's Bank of China raised its gold reserves by about 8.09t to a total of 2,076t in April and this is after adding more than 120t over the previous five months. This is a trend we continue to see globally with Word Gold Council data showing that total gold reserves rose by 228t (+176% YoY) in the first quarter of the year. These purchases were driven mainly by Asia, whilst Turkey added 30t over the quarter.

Recent data from the China Iron and Steel Association (CISA) show that steel inventories at major Chinese steel mills fell to 18.1mt in late April, down 2.3% compared to mid-April. Similarly, crude steel production at major mills decreased by 3.6% from the above-mentioned period to 2.21mt/d in late April. Meanwhile, steel mills in the Fengnan district of Tangshan City have been officially asked by the local authorities to curb crude steel output by working on production plans throughout the year. This would be the first batch of steel mills in China to observe another administrative year-on-year reduction in crude steel output after repeated cuts in 2021 and 2022.

Agriculture – Black Sea Grain deal negotiations

Wheat prices remain fairly volatile with still plenty of uncertainty over the Black Sea grain initiative. Ukraine's Infrastructure Ministry stated that Russia once again blocked the inspection of vessels shipped from Ukrainian ports. The deal is set to expire on 18 May and whilst there are ongoing negotiations to extend once again, Russia has threatened not to renew the deal unless its demands are met.

The USDA's weekly US crop progress report for the week ending 7 May shows that corn and soybean plantings remained strong, whilst crop conditions for winter wheat continue to improve. The agency reported that domestic corn plantings stood at 49% complete, up from 26% planted last week and 21% planted a year ago. It's also above the five-year average of 42%. US soybean plantings are 35% complete as of 7 May, compared to 11% a year ago and the five-year average of 21%. Meanwhile, the agency rated around 29% of the winter wheat crop in good-to-excellent condition, up from 28% a week ago, and in line with levels seen last year.

The USDA's weekly export inspection data for the week ending 4 May shows that US grain shipments remained weak over the last week. US weekly inspections of corn exports stood at 963.4kt, down from 1,518.6kt in the previous week and 1477.2kt reported a year ago. For soybean, export inspections stood at 394.8kt, lower than the 408kt seen last week, as well as the 506.9kt seen for the same period last year. Wheat export inspections also came in lower at 209.1kt, down from 358.3kt a week ago and 262.9kt a year ago.

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