

The Commodities Feed: Gold demand jumps to record highs

Gold demand climbed to record highs in 2023, driven by a surge in buying from central banks and anticipated rate cuts from the Federal Reserve



Metals – Gold demand jumps to record highs

- Total gold demand (including OTC) in 2023 climbed to record highs, driven by a surge in buying from central banks and the anticipated Federal Reserve's cut in interest rates, according to the World Gold Council. Annual gold demand (including OTC) increased 3% last year to 4,899 tonnes. Annual purchases by central banks reached 1,037 tonnes last year, just 45 tonnes short of the previous year's record of 1082 tonnes. Reported purchases in 2023 were once again led by China reporting a total rise of 225 tonnes in its gold reserves, while Poland was the second largest buyer reporting a rise of 130 tonnes. The council expects banks to keep buying gold in 2024 as well, given the persistent economic and geopolitical uncertainty along with high inflation. Among other sectors, annual jewellery consumption held steady at 2,093 tonnes while gold ETFs reported net outflows of 244 tonnes for a third consecutive year in 2023.
- Prices of most of the industrial metals edged lower this morning as China's manufacturing data contracted for a fourth consecutive month, while the accompanying USD strength is

adding further pressure to the complex. Recent data shows that the official manufacturing PMI data in China stood at 49.2 in January, lower than the market expectations of 49.3. This has once again raised concerns over metal consumption in the manufacturing sector, along with continued weakness in the real-estate sector.

- In nickel, battery metals producer IGO Ltd. said that it will shut down a nickel mine in Australia following the extended weakness in the key materials market. The Cosmos operations in Western Australia will be put into care and maintenance by the end of May due to weak nickel prices and higher costs. The company said that currently, the battery metals industry is facing some significant challenges with the nickel market experiencing a downturn in the cycle. IGO's decision follows a series of closures announced at other Australian nickel operations in recent weeks, such as Andrew Forrest's Wyloo Metals Pty Ltd. and First Quantum Minerals Ltd.

Energy – Cautious trading in the oil market

- ICE Brent opened lower this morning with prices hovering around US\$82/bbl as rising demand concerns (especially from China) have been capping upside for prices. Meanwhile, a higher USD further added pressure to the complex. The market is trading cautiously ahead of the potential US response to the recent assault in Jordan and how Iran will react in turn. The market also awaits a decision by the US Fed on policy rates.
- US oil inventory numbers overnight from the API were bullish. US crude oil inventories decreased by 2.5MMbbls last week, quite larger than the average market expectations. Similarly, Cushing crude oil stocks are reported to have decreased by 2MMbbls. However, product inventories remained mixed, with gasoline stocks growing by 0.6MMbbls, whilst distillate stocks fell by 2.1MMbbls over the week ending 26 January. The more widely followed EIA inventory report will be released later today.
- TTF prices rebounded to above EUR30.5/MWh currently as tensions in the Middle East increase. While the European gas market is currently well supplied, the supply risk from the Middle East can still create logistical issues in the immediate term. Gas withdrawal from storage tanks has been higher than the seasonal average since the start of the year – although inventory is still comfortably high at 71% of storage capacity compared to the five-year average of around 58%.

Agriculture – Cocoa supplies and unfavorable weather lifts prices

- Cocoa futures trading in New York extended the upward rally for a third straight session yesterday as Harmattan winds in West Africa and lower port arrivals in major producing countries continue to pose a threat to next season's production. The key West African Cocoa growing region is facing dry Harmattan winds which could destroy the cocoa pods growing for the Ivory Coast's mid-crop in April. Meanwhile, the winds are also quite harsh in Nigeria this season. Along with that, the recent data show that the arrivals in Ivory Coast and Ghana continue to lag behind last year's levels.
- Weekly data from the European Commission show that soft wheat shipments from the EU reached 18.2mt as of 28 January, down 5% compared to 19.2mt for the same period last year. Europe's soft wheat exports so far this season have been restrained by strong competition from Russia. Morocco, Algeria, and Nigeria were the top destinations for these shipments. Meanwhile, EU corn imports stand at 10.2mt, down 41% from a similar period a

year ago.

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