

## The Commodities Feed: Gold demand remains firm from central banks

China increased its official gold reserves by 0.5mOz in May 2023 taking total gold purchases to 2.6mOz for the current year so far



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### Energy: crude oil inventory drawdown in the US

The weekly report from the Energy Information Administration (EIA) shows that commercial crude oil inventories in the US dropped by 0.5MMbbls over the week to 459.2MMbbls mainly on account of higher refinery runs. The market was anticipating a build-up of 0.35MMbbls. Refinery operating rates in the US increased further over the week to 95.8% (the highest level since 2019) of their capacity, up from 93.1% a week earlier. Higher refinery runs have helped increase the refined products supplied in the domestic market with both gasoline and distillate inventories increasing at an accelerated pace. Gasoline inventories increased by 2.7MMbbls over the last week, against market expectations of 0.4MMbbls while distillate stockpiles rose by 5.1MMbbls last week, compared with expectations for a build of 0.9MMbbls.

Crude oil imports fell by 817Mbbbls/d over the week to 6.4MMbbls/d for the week ending 2 June. On the other hand, crude oil exports dropped by nearly half to just 2.5MMbbls/d for the week due to higher demand in the domestic market as well as higher competition in the overseas market. On the supply side, the EIA reported that crude oil production in the US rose by 0.2MMbbls/d to 12.4MMbbls/d in the week ending 2 June, after remaining range-bound for the last seven months. This is the highest production level since the early weeks of April 2020. The increase comes even as

the number of rigs targeting oil continues to fall.

The latest data from the Petroleum Planning & Analysis Cell in India shows that petroleum products demand in the country increased 9% year-on-year to 20mt in May 2023. Year-to-date demand for petroleum products is up 5% YoY to 96.2mt over the first five months of 2023. Crude oil demand from Asia has been recovering over the last few months as the pace of interest rate hikes slows down and economic growth picks up. Earlier, China also reported firm oil demand in May 2023 which also helped sentiment.

## Metals: China continues to boost gold reserves

The latest data from the People's Bank of China (PBoC) shows that China increased its gold reserves for a seventh straight month amid ongoing strong demand for safe assets. The nation raised its gold reserves by about 0.5mOz to a total of 67.27mOz at the end of May 2023. China has added over 2.6mOz of gold to its reserves since the start of the year and nearly 4.6mOz since restarting gold purchases in November 2022. A recent survey by World Gold Council (WGC) conducted in May shows that about a quarter of central banks plan to increase their gold holdings over the next 12 months as the future role of the US dollar comes into question.

Meanwhile, a recent survey from Shanghai Metals Market shows that China's primary aluminium output rose to 3.47mt in May as some smelters in Guizhou province restarted operations. The group further believes the nation's aluminium output could rise in June, as smelters in Yunnan province are expected to restart operations on increased power supplies. Among other metals, refined nickel output rose 30.3% YoY (+5.7% MoM) to 18.6kt last month as producers ramped up production levels.

## Agriculture: Ukraine grain shipments decline

The latest data from Ukraine's Agriculture Ministry shows that domestic grain exports so far in the 2022/23 season stood at 46mt, a marginal decline of 3% YoY. The above includes wheat exports of 15.7mt, down 15.7% YoY and corn exports at 27.3mt, up 21% YoY. The fall in exports is in line with the series of obstacles faced by Ukrainian shipments in recent months.

Recent data from Brazil's Trade Ministry shows that Brazil's soybean exports rose 46.5% YoY to 15.6mt in May, while cumulative shipments increased by 14% YoY to 49mt in the first five months of the year. Shipments to China jumped 60% YoY to 10.3mt in May 2023 whilst exports to Argentina reached a record high of 979kt. In contrast, corn exports fell 64.6% YoY to 385kt in May. However, year-to-date shipments expanded from 5.3mt to 10.64mt in Jan'23-May'23.

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