The Commodities Feed: Inauguration day

Markets will be focused on today's inauguration of President Trump with close attention on the large amount of executive orders he is reportedly planning to sign

Energy – Specs add to Brent long

Despite the rally in crude oil prices running out of steam towards the end of last week, ICE Brent still managed to settle almost 1.3% higher on the week and remain above US$80/bbl. There is a fair amount of uncertainty across markets coming into this week given the inauguration of President Trump and the raft of executive orders he reportedly is planning to sign. This combined with it being a US holiday today, means that some market participants may have decided to take some risk off the table.

The latest positioning data shows that speculators increased their net long in ICE Brent by 27,473 lots over the last reporting week to leave them with a net long of 254,332 lots as of last Tuesday. The move was driven by fresh longs entering the market and left speculators with their largest net long since May. The strong buying reflects supply concerns following the announcement of US sanctions against the Russian energy industry.

In the US, there are also some short-term supply risks facing oil and gas production with freezing weather conditions in parts of Texas and New Mexico to persist over the next couple of days, which could lead to some production having to be shut in. Significant production losses were seen in February 2021 as a result of freezing weather, while in January 2024, colder weather conditions also led to some supply losses.

Output data from China on Friday shows that refineries increased the amount of crude oil they processed by 1.3% year-on-year in December. However, for full-year 2024, refinery activity still fell by 3.6% YoY, reflecting weaker domestic demand. Output and trade numbers suggest that apparent oil demand in December came in at a little more than 13.9m b/d, down from 14m b/d the previous month, but up 0.6% YoY.

Metals – Aluminium continues to rally on China growth

LME aluminium ended last week on a strong footing, boosted by signs of economic recovery in China following a series of stimulus measures over the last couple of months. China's economic data released last Friday showed China's GDP in 2024 expanded 5%, meeting the government's target. The final quarter of the year saw growth of 5.4%, which was the fastest pace in six quarters.

The National Bureau of Statistics (NBS) numbers released last week showed monthly primary aluminium production in China rising 4.2% YoY to 3.8mt in December 2024 primarily due to the additions from new production capacity in the Northwestern region of Xinjiang. Cumulatively, production rose 4.6% YoY to around 44mt over Jan'24 – Dec'24. In other metals, monthly crude steel production rose 11.8% YoY to 76mt last month. However, cumulative output fell 1.7% YoY to 1,005.1mt in 2024, the lowest in five years as weakness in the property market continues to weigh on steel demand.

Weekly data from the Shanghai Futures Exchange (ShFE) showed inventories for base metals remaining mixed over the last week. Aluminium weekly stocks fell by 3,694 tonnes for a twelfth consecutive week to 178,474 tonnes as of last Friday, the lowest since 23 February 2024. Zinc inventories decreased by 294 tonnes (-1.4% week-on-week) for a ninth straight week to 21,040 tonnes (the lowest since 30 December 2022), while lead inventories declined by 1,351 tonnes for a fifth consecutive week to 43,503 tonnes at the end of last week. Meanwhile, weekly inventories for copper and nickel rose by 12.9% WoW and 5.2% WoW, respectively.

Agriculture – India set to allow sugar exports

There are reports that the Indian government is set to allow the export of 1m tonnes of sugar during the current 2024/25 season, which may come as a surprise to many in the market given that there are some that expect lower domestic sugar output this season. The government is yet to issue an official order, but the news is likely to keep pressure on global prices. No.11 raw sugar has already been under pressure so far this year with it down more than 5%, which likely partly reflects speculation around the potential for Indian exports. CFTC data shows that speculators sold sugar aggressively over the last reporting week, selling 47,969 lots to leave them with a net short of 507 lots. While this is a marginal short position, it is the first time since August that speculators have been short sugar.

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