The Commodities Feed: LME aluminium jumps after China ends export tax rebate

China's finance ministry announced last week that it would end its export tax rebate policy for aluminium, starting 1 December. LME aluminium prices surged as much as 8.5% on Friday following the announcement

Aluminium production in Huaibei, China

Metals – Aluminium jumps as China ends tax incentives on exports

LME aluminium prices surged more than 8% on Friday after China's Finance Ministry said that it would cancel a 13% tax rebate on aluminium starting from 1 December. This will have implications for the global aluminium market. In the near term, the cancellation of rebates will make Chinese aluminium more expensive on the international market and could lead to a reduction in export volumes. Chinese aluminium exports have surged over the past two decades.

This could be a strategic power move, demonstrating China's crucial role in global markets and its ability to influence prices and demand, in the context of trade tensions following Donald Trump's win in the US presidential election – which China might use as leverage in trade negotiations.

The export tax rebate was also removed for copper and lowered for some refined oil, solar, battery and non-metallic mineral products (to 9% from 13%). We discussed this in detail our latest note released on Friday.

The latest positioning data from the CFTC shows that speculators decreased their net long in COMEX copper by 9,768 lots to 10,946 lots as of 12 November 2024. In precious metals, managed money net longs in COMEX gold decreased by 24,385 lots for a third consecutive week to 197,362 lots over the last reporting week. This was the fewest bullish bets since the week ending 6 August 2024 as the strength in the US dollar and treasury yields weighed on the yellow metal. Similarly, speculators decreased net longs of silver by 9,012 lots for a third consecutive week to 24,061 lots as of last Tuesday.

Energy – Oil holds steady

Oil prices managed to trade with small gains this morning (after falling sharply at the end of last week) amid a broader risk-on sentiment in risk assets. ICE Brent was trading above US$71/bbl while NYMEX WTI held above US$67/bbl in the early trading session today. However, the persistent worries over the clouded demand outlook in China and ample global supply outlook for next year continue to restrict any major price gains.

Recent comments from OilChem indicate that China's previous decisions to cut tax rebates on overseas fuel shipments had a marginal impact, as shipments are more dependent on the allocation of export quotas. The tax rebate was lowered earlier in 2018 and 2016, however refined oil exports increased both years. Last Friday, China cut the tax rebate rate for refined oil products including gasoline, diesel and jet kerosene to 9% from 13%, which will be applicable from 1 December.

Meanwhile, drilling activity in the US slowed over the last week. The latest rig data from Baker Hughes shows that the number of active US oil rigs fell by one over the week to 478, after remaining stable in the preceding week. This is the lowest level since the week ending on 19 July 2024. The total rig count (oil and gas combined) stood at 584 over the reporting week, slightly down from 585 a week earlier and 5% lower compared to the same time last year. Primary Vision's frac spread count, which gives an idea of completion activity, also decreased by five over the week to 222.

The latest positioning data shows that a fair amount of speculative selling in ICE Brent occurred over the last week. Speculators reduced 22,606 lots to the net long position, leaving them with a net long position of 103,539 lots as of last Tuesday. Money managers added gross shorts by 26,702 lots to 115,849 lots, the largest weekly increase since the September start. Similarly, for NYMEX WTI, speculators decreased their net long by 18,043 lots over the week to 125,942 lots for the week ending on 12 November 2024. Investors turned bearish as concerns remain over China's demand outlook and ample global supply.

Agriculture – Cocoa jumps on persistent supply concerns

Cocoa prices in the US and London ended higher last week amid supply woes from top producer Ivory Coast and regulatory uncertainties from Europe. There are suggestions that the arrival of beans to Ivory Coast ports might drop over the coming days as unfavourable weather conditions at the start of the new season affected the bean quality while also impacting the overall production outlook. Warehouse inventories for cocoa in the US have been declining constantly since 9 October and fell by 10.5k bags to 1.7m bags (145lb) as of 15 November, the lowest since

January 2005. Along with that, potential supply concerns continue to linger as the European Parliament demands further changes to its deforestation regulations.

Meanwhile, the latest trade numbers from China Customs show that corn imports dropped significantly by 87.7% year-on-year for a sixth consecutive month to 250kt in October, while cumulative imports declined 30% YoY to 13mt in the first ten months of the year. The country has already taken steps to protect farmers by limiting overseas purchases of corn as the domestic warehouses have plenty of grains. For wheat, monthly imports fell 66.2% YoY to 220kt last month. However, cumulative imports are still up 1.2% YoY to a total of 11mt between January and October this year.

Recent data from Ukraine's Agriculture Ministry shows that grain exports for the season so far have risen 48% YoY to 16.3mt as of 15 November, up from 11mt for the same period last year. The increase was driven largely by wheat, with exports rising significantly by 60% YoY to 8.3mt. Similarly, corn exports stood at 6mt, up 22% from a similar period a year ago. Total grain exports have reached almost 2mt so far this month, slightly ahead of last year. Meanwhile, recent data from the Ministry of Agrarian Policy and Food shows that farmers have harvested around 71.4mt of the grains and legumes as of mid-November. The wheat harvest has been completed and yielded 22.4mt while corn harvest stands at 22.3mt from 88% of planted area so far.

The USDA's weekly net export sales for the week ending 7 November show that corn sales were down to 1,315.1kt for the week, lower than the 2,832kt a week ago and 1,807.5kt for the same period last year. This was also lower than the average market expectations of 1,635kt. Similarly, soybean exports stood at 1,555.4kt for the week, lower than the 2,037.2kt reported a week ago and 3,918.4kt reported a year ago. The market was expecting a number close to 1,773kt. US wheat shipments stood at 380.1kt, higher than the 374.7kt reported a week ago and 176.3kt reported a year ago but lower than the average market expectations of 403kt.

The latest CFTC data show that money managers decreased their net short position in CBOT soybean by 15,576 lots for a second consecutive week to 54,536 lots as of 12 November. The rise was led by an increase in gross longs by 10,614 lots, taking the total to 108,826 lots. In contrast, speculators increased their net bearish bets for CBOT wheat by 14,526 lots to 45,307 lots. The move was fuelled by gross shorts rising by 12,638 lots, taking the total to 111,225 lots. Net speculative long positions in CBOT corn rose by 87,946 for a second consecutive week to 109,989 lots over the last reporting week, following a fall in gross shorts by 71,311 lots to 179,925 lots.

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