The Commodities Feed: Macro concerns weigh on sentiment

Commodities, particularly oil, came under selling pressure yesterday as concerns over the macro outlook continue to grow. In the short term this is likely to remain a key driver for market direction

Energy - China oil imports jump

Oil prices have come under further pressure as macro concerns continue to weigh on the demand outlook. ICE Brent settled below US$80/bbl for the first time since early January. The prompt timespread also came under pressure, falling into deeper contango. The weakness in the front end of the curve suggests an easing in supply concerns, at least in the spot market. The outlook for 2023 will be very dependent on how the demand story evolves. The 2023 supply picture is still challenging, with expectations of falling Russian supply and continued OPEC+ supply cuts. The US is also struggling to deliver the supply growth that many were expecting. The EIA released its latest Short Term Energy Outlook yesterday, where it is estimated that US crude oil supply will grow by a little over 460Mbbls/d in 2023 to average around 12.3MMbbls/d.

The latest trade data from China shows that crude oil imports in November grew 12% MoM to 11.42MMbbls/d. This is the strongest monthly imports we have seen from China since January. Stronger crude imports are likely a result of refiners looking to make use of the latest batch of export quotas for refined products, which were released earlier in the year. Due to the strong imports over the month, cumulative crude oil imports this year are now just 1.4% lower YoY.

There are reports that Russia is looking to impose a price floor for its crude oil in response to the G-7 price cap. It is understood that Russia could look to sell at a minimum fixed price or limit the discount that they would be willing to sell their crude. There is very little detail on the proposal or when it could be imposed, if at all.

The latest data from the API shows that US crude oil inventories fell by 6.43MMbbls over the last week. Whilst the crude draw is somewhat constructive, this was more than offset by sizeable builds on the product side. Gasoline and distillate fuel oil inventories grew by 5.93MMbbls and 3.55MMbbls respectively.

Metals – Zinc gains on renewed supply concerns

LME zinc rallied yesterday following renewed supply concerns and declining LME on-warrant stocks. The latest reports suggest that Nyrstar's Auby smelter in France would remain closed given the ongoing challenging market conditions. The smelter halted its operations in October for maintenance, however, the company said that the operations will remain shut "until further notice". Meanwhile, the latest data from LME shows that on-warrant stocks for zinc declined by 8.7kt to 22.3kt.

The latest trade numbers from China Customs show that imports for unwrought copper jumped 33.5% MoM and 5.8% YoY to 540kt in November. Cumulatively, imports rose 8.5% YoY to 5.4mt in the first eleven months of the year. Meanwhile, copper ore and concentrate imports rose 29% MoM and 10% YoY to a record high of 2.4mt last month. Overall, concentrate imports rose 8.6% YoY to 23.2mt from Jan'22-Nov'22. For ferrous metals, iron ore imports rose 4% MoM to 98.8mt in November. However, YTD imports are still 2.1% YoY to total 1,016mt.

Peru's latest official numbers show that copper output rose 8.3% YoY and 1.1% MoM to 232.5kt (highest monthly production so far this year) in October. The majority of the gains were driven by Las Bambas, Cerro Verde and Southern Peru Copper.

Agriculture – Chinese soybean imports disappoint

Trade data from China Customs shows that soybean imports dropped 14% YoY to 7.35mt last month. Cumulatively, soybean imports have fallen 8.1% YoY to 80.5mt over the first eleven months of the year.

Weekly data from the European Commission shows that soft wheat shipments from the EU rose 3.5% YoY and reached 14.5mt as of 4 December, up from 14mt for the same period last year. Algeria, Morocco and Egypt were the top destinations for these shipments. Meanwhile, EU corn imports stand at 12.6mt, compared to 5.8mt last year.

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