

The Commodities Feed: Markets await US CPI print

Most commodity markets are trading little changed this morning, awaiting the release of US CPI data scheduled later today that may provide more certainty on the timing of a change in the Federal Reserve's policy. A hotter-than-expected reading would push back the timeline for when the Fed starts its easing cycle



Energy – Record US oil output

Recent data from the Energy Information Administration (EIA) shows that the average crude oil production in the US reached a record high of 12.9MMbbls/d in 2023, leading the global oil production growth for a sixth consecutive year. It has surpassed its previous record of 12.3MMbbls/d reached in 2019. The EIA further added that the monthly oil production in the country also hit a new record of over 13.3MMbbls/d in December 2023. The administration believes that it would be difficult for any other major oil-producing country to surpass the record, at least in the near term. Early this year, Saudi Arabia's government ordered Aramco to halt its oil expansion plan and to target a maximum sustained production capacity of 12MMbbls/d, 1MMbbls/d below the target announced in 2020.

Meanwhile, the European gas market fell over 5.5% DoD, with the TTF front-month contract closing

just below EUR25/MWh yesterday. This was the lowest close since the start of the month. The gas market in the country has been trading under pressure for quite some time now amid mild weather and subdued demand. Meanwhile, the latest weather forecasts suggest that temperatures across Europe are expected to remain warmer than usual until the end of the heating season. At the same time, European gas storage is a little more than 60% full now, showing no signs of shortage and less difficulty for the refill this season. Assuming no major supply shocks, this suggests we should see more downside in natural gas prices before the start of the summer months.

Metals – China's copper output falls on lower TCs

China's refined copper production fell 2% month-on-month to 950.3kt in February, primarily due to the continuous decline in treatment charges, according to Shanghai Metals Market (SMM) data. It is estimated that some smelters lowered the intake of concentrate to curb losses from record-low processing fees. The smelter's operating rates were also impacted by the Chinese New Year holiday early last month. Cumulatively, copper cathode output rose 9% year-on-year to 1.92mt in the first two months of the year.

In other metals, Chinese primary aluminium production rose 7.8% YoY while remaining flat MoM at 3.3mt last month. Domestic aluminium smelters maintained steady operations, without any major production suspensions or resumptions. The existing aluminium capacity in the country was about 45.2mt, while operating capacity stood at around 42mt (with operating rates growing by 4.8% YoY to 93%). China's refined zinc output fell 11.4% MoM to 502.5kt, while primary lead production fell 6% MoM to 276kt, primarily due to a smaller number of operating days following the Lunar holidays in February.

Agriculture – Coffee supplies under pressure

The latest estimates from the General Department of Vietnam Customs show that coffee exports dropped by 32.6% MoM (-19.8% YoY) to 160.6kt in February 2024. The decline in exports could be largely attributed to lower inventories. Meanwhile, cumulative coffee exports rose 16.4% YoY to 398.8kt over the first two months of the year.

The latest report from Statistics Canada shows that farmers in the country expect wheat plantings to increase slightly, while soybean plantings might decline in 2024 compared to a year ago. Statistics Canada forecast all-wheat plantings to increase to 27m acres (+0.1% year-on-year), higher than the average market expectation of 26.6m acres. This is due to Canada's driving innovation in the wheat sector to improve production. For soybeans, the agency decreased the planting area projections to 5.58m acres from 5.63m acres for the same period last year. The market was expecting a number closer to 5.7m acres.

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2023/24 season dropped to 31.2mt as of 11 March, a decline of 9% YoY. The above includes wheat exports of 12.5mt, up 5% YoY, and corn shipments of 16.7mt, down 16% YoY. Exports through the Black Sea port route continue to remain impacted following a recent Russian missile attack that damaged grain storage facilities and warehouses at the Odesa ports.

The USDA's weekly export inspection data for the week ending 7 March shows that the US exports for wheat remained strong while soybean and corn shipments slowed over the last week. US weekly inspections of wheat for export stood at 402.9kt, up from 358.3kt in the previous week and

256.9kt reported a year ago. For soybeans, export inspections stood at 706.3kt over the week, down from 1,160.4kt in the previous week but higher than the 633.9kt seen last year. Similarly, US corn export inspections fell to 1,121.9kt compared to 1,146.1kt a week ago, however up from 1027kt seen a year earlier.

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