

The Commodities Feed: Metals markets eye key China meeting that might drive demand

The metals markets are awaiting the outcome of China's 'Two Sessions' political meeting in Beijing this weekend that might drive demand. Meanwhile, Freeport has restarted the Grasberg copper mining complex after nearly two weeks of inactivity due to landslides and floods



Freeport's Grasberg copper and gold mine in Indonesia, pictured in 2013

Energy – Freeport resumes commercial operations at the LNG terminal

The oil market traded flat this morning with ICE Brent prices heading for a fourth consecutive monthly decline, as the persistent weak macro sentiments and higher stockpiles weighed on recent supply concerns as well as the healthy demand expectations from China. Meanwhile, a stronger USD index is also adding pressure to oil prices.

Meanwhile, Ecuador is preparing to restart its OCP and SOTE pipelines today after finishing contingency and repair work. These two crude pipelines were shut down on 22 February after

being affected by soil erosion, which resulted in Petroecuador declaring force majeure on oil exports of around 2.88MMbbls. Ecuador's oil output has also dropped by nearly half to around 244Mbbbls/d as the shutdown of the pipeline forced the company to shut its oil wells as well.

In a filing to FERC, Freeport has reported that the commercial operations at train-3 of the LNG terminal have reached full capacity whilst train-2 is going on with the restart activity. The company reported that it has sought approval to resume commercial operations at train-1 as well once the restart activity is complete and certain operating conditions are met. The Freeport LNG terminal with a capacity of around 2.2bcf/d was shut down in June 2022 due to an accident at the site. The latest data shows that feed gas deliveries to the Freeport LNG terminal have increased to around 700-800MMcf/d recently as train-3 resumed operations. LNG export resumption from the terminal are likely to help improve natural gas supplies in the European market. NYMEX Henry hub prices have jumped by around 30% over the past week as demand increases.

Metals – Freeport restarts Grasberg mine

Freeport McMoRan has restarted operations at its Grasberg mining complex in Indonesia after shutting it earlier in the month due to landslides and floods. The company said that the damage to the mill and plant was limited, although it has not confirmed the number of supply disruptions due to the mine closure. At around 5m pounds per day of copper production, the two-week mine closure has likely impacted around 30kt of copper production.

SGX iron ore has recovered marginally today after falling nearly 6.5% over the past week as Tangshan city (a steelmaking hub in north China) started production restrictions in an effort to control emissions ahead of the 'Two Sessions' political gathering in the country. The meeting is watched closely for any government support towards the economy and industry, especially the construction and steel sector.

The latest market reports suggest that some lithium mines at major production hubs in China have restarted after a government investigation halted mining activity last week. Lithium mines at Yichun located in the southeastern Jiangxi province were forced to halt operations last week, impacting roughly 10% of the global output. However, it was later reported that all mines with valid government permits have resumed operations. The move came following the reports of unlicensed mining and environmental infringement activities in the province, resulting in a complete halt of mining activities in Yichun.

Agriculture – UNICA reports marginal gains in cane crush

The recent report from the UNICA shows that sugar cane crushing in Center-South Brazil over the first half of February stood at 73kt compared to no crushing a year ago, as the processing had already been halted by this time. Cumulatively, crushing has risen by 3.8% year-on-year so far this season and stands at 542.5mt. Meanwhile, sugar production stood at just 2kt during the above-mentioned period, with around 23.6% of cane allocated to sugar production. Cumulatively, sugar output has risen by 4.5% YoY to 33.5mt in the season so far with most of the sugar cane mills finished their processing for the season.

The latest data from Ukraine's Agriculture Ministry shows that the nation exported around 31.8mt of grains as of 27 February so far in the 2022/23 season, a decline of 27% compared to 43.5mt grains exported during the same period last year. Total corn shipments stood at 18.2mt (-5.8% YoY), while wheat exports fell 38% YoY to 11.2mt as of Monday.

USDA's weekly export inspection data show demand for US soy and corn fell while remaining strong for wheat for the week ending 23 February. US weekly inspection of soybean for exports fell to 691kt over the last week, lower when compared to 1.58mt in the previous week and 739.5kt during the same time last year. Similarly, corn shipment inspections have declined to 572.6kt over the last week, compared to 623.8kt from a week ago and are significantly down from 1.56mt during the same time last year. Meanwhile, wheat export inspections rose last week from 374.4kt to 591.7kt, while remaining higher when compared to 430kt during the same time last year.

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