

## The Commodities Feed: No CPI surprises

US CPI data came in line with expectations, which provided broad support to the commodities complex. Next week, there is a fair amount on the energy calendar, including OPEC and IEA monthly oil reports



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### Energy: China refined product export surge

After a weak start to the trading year, the oil market has performed better this week. ICE Brent is on course to settle higher this week, although we will need to see what happens in trading today. Yesterday's [US CPI data](#) would have provided some support to the market, with it suggesting less aggressive action from the US Federal Reserve in the months ahead. Optimism around the China demand story has only provided further support to the oil market. Our balance shows that the oil market should tighten as we move through the year. This should prove constructive for prices, particularly when you consider the modest net long speculators currently hold in Brent.

The latest trade data from China was released this morning, showing that crude oil imports in December averaged 11.35MMbbls/d, up around 4.1% year-on-year. This leaves crude oil imports over the whole of 2022 at 10.21MMbbls/d, down 0.9% YoY. We would expect stronger growth through 2023. In addition, refined product exports in December grew by 138% YoY to total 7.7mt, following the release of substantial export quotas towards the end of the year. However, full-year 2022 exports were still down around 11% YoY to total 53.7mt. Given the increase in product

export quotas we have seen from the Chinese government, it is likely that exports will edge higher this year, although this will also depend on how domestic demand performs over the course of the year.

Refined product inventories in the ARA region edged higher over the week according to data from Insights Global. Total refined product stocks increased by 228kt to total 5.87mt. Increases were seen across all products, but naphtha saw the largest weekly move, increasing by 73kt. Gasoil stocks in the region are looking more comfortable than we saw at stages last year, but inventories still remain quite some distance below the 5-year average. In addition, we would expect to see some further tightening in middle distillates once the EU ban on Russian refined products comes into force in early February.

US natural gas prices managed to strengthen yesterday, despite storage increasing over the last week. EIA numbers show that US natural gas storage increased by 11bcf, which is very different from a five-year average draw of 157bcf. The market appears to be more focused on a forecast for colder temperatures later this month.

In addition, it appears as though Freeport LNG could see yet further delays to its restart. The plant was shut in June following a fire and the restart date has been pushed back several times already. The latest official comment was for a restart in the second half of January, however, recent reports suggest that this could be pushed into February.

## Metals: gold briefly climbs above \$1,900/oz

Gold climbed above \$1,900/oz (very briefly) for the first time since May after US inflation data matched forecasts, raising hopes that the Fed will slow the pace of its rate hikes. The consumer price index fell 0.1% month-on-month in December, pushing the US dollar lower. Excluding food and energy, the core CPI rose 0.3% last month and was 5.7% higher than a year earlier, the slowest pace since December 2021. Central bank tightening and US dollar strength weighed heavily on gold prices for much of 2022.

Russians bought a record 57 tonnes of gold from 13 local banks last year equating to more than 15% of the country's annual output of gold. That compares to only six tonnes of gold bought in 2021. Russia cancelled value-added tax on retail gold purchases in March following the invasion of Ukraine, to boost gold sales. In July, retail buyers were also exempt from profit tax on gold purchases through to the end of 2023. Russia is the world's second-biggest gold producer. The country mined more than 330 tonnes of gold in 2021.

Aluminium Dunkerque, the EU's largest aluminium smelter, is ramping up output back to full capacity as power prices decline. The company expects the plant to produce at full capacity by the end of May, with falling electricity prices and government support for heavy energy users helping boost profitability. The plant in Dunkirk, which produced 290,000 tonnes in 2021, cut output by 22% in September amid soaring energy prices.

The UK's FCA is blocking the LME's plans to resume trading of nickel during Asian hours due to concerns the exchange won't be able to run an orderly market, according to a report from Reuters. The exchange halted trading of nickel in Asian hours in 2022 after a historic price spike during Asian trading hours. The UK's FCA had told the exchange its measures to supervise trading during that time zone were still not adequate.

## Agriculture: WASDE revisions

The latest WASDE report from the USDA was constructive for grain prices. US corn production estimates for 2022/23 were lowered by around 200m bushels. And this revision was largely driven by unexpected lower acreage. As a result, ending stocks for 2022/23 were lowered from 1.26b bushels to 1.24b bushels, which was also below the roughly 1.31b bushels the market was expecting. For the global corn balance, 2022/23 ending stocks were marginally lowered from 298.4mt to 296.4mt. It was also slightly below the roughly 297.7mt expected.

The USDA lowered its US production estimates by 70m bushels to 4.28b bushels, with yield estimates reduced from 50.2 bushels/acre to 49.5 bushels/acre. The agency decreased 2022/23 US ending stocks estimates for soybeans from 220m bushels to 210m bushels; which was lower than the more than 230m bushels the market expected. For the global market, the USDA increased 2022/23 global soybean ending stocks from 102.7mt to 103.5m, largely on account of higher stocks at the start of the season. However, global soybean production estimates were revised down by around 3.2mt to 388mt, as supply losses from Argentina weighed on total production and offset the slight production gains from Brazil.

It was a fairly neutral report for global wheat markets as the USDA left both production and demand estimates largely unchanged at 781mt and 789mt respectively. Global ending stocks for wheat increased slightly from 267.3mt to 268.4mt, broadly in line with market expectations. However, for the US wheat balance, ending stocks for 2022/23 were lowered from 576m bushels to 571m bushels, as higher domestic use offset a sharp rise in beginning stocks. The market was expecting ending stocks of around 580m bushels.

In addition to the WASDE, the USDA also released its quarterly grains stocks report which showed that US stocks as of 1 December 2022 all came in below market expectations. US corn stocks totalled 10.8b bushels, down 7% YoY and below market expectations of more than 11.1b bushels. US soybean stocks came in at 3.02b bushels, down 4% YoY and lower than the 3.3b bushels expected. Finally, for US wheat, stocks were down 7% YoY to total 1.28b bushels, which was also below the 1.34b bushels expected.

### Author

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

#### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

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