The Commodities Feed: Oil firms

Most commodities saw a fair amount of strength last week after the US CPI print came in line with expectations, while optimism around Chinese demand continues to grow. There is quite a bit on the calendar for energy markets this week with reports from both OPEC and the IEA

Source: iStock

Energy- Brent recovers

After the strong performance from the oil market last week, ICE Brent is almost back to where it was trading at the start of this year. ICE Brent managed to rally more than 8.5% last week and settled at US$85.28/bbl. Time spreads did not benefit from the same strength. The prompt Brent spread weakened over the last week.

While there is still plenty of optimism around Chinese demand, in the near term the oil market remains relatively well supplied. We see further upside from 2Q23, as the market tightens.

The latest market positioning data shows that there was little change in the ICE Brent speculative long position, despite the moves seen in the market so far this year. Speculators trimmed their net long in ICE Brent by 4,344 lots to leave them with a net long of 157,112 lots as of last Tuesday. Given the move in the market along with the increased open interest since then, it is likely that the net long is somewhat larger currently.

There is a lot on the calendar this week for energy. Firstly, trading may be a bit thinner today due to a holiday in the US. Tuesday will see OPEC release its monthly oil market report, whilst China will also release industrial production data for December, which will include both crude production and refinery processing. This will be followed by the IEA's monthly oil market report on Wednesday. Both API and EIA inventory numbers will be delayed by a day due to today's public holiday in the US.

Metals – China's monthly copper imports fall

Copper ore and concentrate imports fell 12.7% MoM to 2.1mt in December as some domestic smelters shut for maintenance, according to Chinese Customs data. However, imports were still up 2.1% YoY. Overall, full-year 2022 concentrate imports rose 8% YoY to 25.3mt. Unwrought copper imports fell 4.8% MoM and 12.8% YoY to 514kt last month due to slowing demand amid rising covid infections, while full-year imports were still up 6.2% YoY to 5.87mt. In ferrous metals, iron ore imports fell 8% MoM to 90.86mt in December (lowest since June) due to weaker end-use industry demand. Meanwhile, total iron ore imports in 2022 fell 1.5% YoY to 1,107mt. On the exports side, Chinese unwrought aluminium exports rose 3.5% MoM to 471kt in December, while full-year exports rose 17.6% YoY to 6.6mt in 2022.

The latest LME data showed total on-warrant stocks for copper reported outflows of 2,350 tonnes (the biggest daily decline since 8th December) to 64,650 tonnes on Friday. The outflows were driven by the decline in Rotterdam warehouses.

In mine supply, according to the latest reports, MMG's Las Bambas copper mine halted copper concentrate transportation due to ongoing protests in Peru. According to the reports, protestors attacked Glencore's Antapaccay copper mine on Thursday, which is located along the same route used by Las Bambas to transport copper, known as the mining corridor.

On Friday afternoon, an LME data-entry error showed the global benchmark price for copper down 77% in the latest glitch from the exchange. The error came at the close of trading in the LME's second open-outcry pricing session. While the final price in the trading ring was set at $9,130/t, according to a report from Bloomberg, the LME's external data feed showed a price of $2,130/t.

Agriculture – China soybean imports jump

Recent trade numbers from Chinese customs show that soybean imports into China increased for a second straight month in December. Imports rose 44% MoM and 19% YoY to 10.6mt (the highest monthly total since June 2021). However, full-year soybean imports were still down 5.6% YoY to 91.1mt.

The latest data from Ukraine's Agriculture Ministry shows that farmers harvested 23.6mt of corn from 3.4m hectares as of 12th January, which accounts for 85% of corn area for the 2022/23 season.

CFTC data shows that money managers decreased their net long in CBOT soybeans by 11,290 lots (after four consecutive weeks of gains) over the last week, leaving them with a net long position of 131,704 lots as of 10 January. The move was predominantly driven by longs liquidating. For CBOT wheat, speculators increased their net short position by 10,419 lots to 63,134 lots. Finally, the speculative net long in CBOT corn decreased by 46,852 lots to 149,605 lots.

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