

The Commodities Feed: Oil moves higher

Large parts of the commodities complex were well supported following stronger-than-expected economic data from China. Yesterday's OPEC monthly report was a non-event, but today's IEA oil market report could be more interesting in light of the China reopening story



Energy - OPEC sees a tighter market over 2H23

ICE Brent managed to push higher yesterday, settling more than 1.7% up on the day and leaving it within striking distance of US\$86/bbl. This is the strongest settlement we have seen in Brent since early December. Stronger-than-expected Chinese economic data yesterday would have provided some support to the market, boosting confidence that we could see a strong recovery in Chinese oil demand this year.

The latest output data from China shows that oil refiners processed around 14.17MMbbls/d of crude oil in December, slightly down from the 14.69MMbbls/d processed in November, but up 2% YoY. However, full-year 2022 numbers averaged 13.57MMbbls/d, which is down almost 4% YoY. Weaker domestic demand and low refined product export quotas would have weighed on refinery runs through 2022. Activity should recover this year, given the expected recovery in oil demand following China's reopening, along with the government releasing larger volumes of refined product export quotas more recently.

OPEC released its latest monthly market report yesterday, which saw few changes to the 2023 numbers. OPEC still expects global oil demand to grow by 2.22MMbbls/d this year to average 101.77MMbbls/d. Non-OPEC supply growth was left unchanged at 1.54MMbbls/d, leaving total non-OPEC supply at 67.16MMbbls/d in 2023. OPEC numbers suggest that the global market will be in balance to a small surplus over the first half of 2023 (if we assume OPEC output remains at similar levels to those seen in December). However, the group does see a tighter market over the second half of 2023 if OPEC production policy remains unchanged. The IEA will also be releasing its monthly oil market report today. We believe the market will be closely watching to see whether the agency makes any upward demand revisions following the China re-opening story. If so, the IEA report could provide some further support to the market.

Metals - Chinese aluminium output hits record levels

China produced a total of 3.43mt of primary aluminium in December according to the National Bureau of Statistics (NBS), up slightly from the November output of 3.41mt (+0.6%) and up as much as 10.2% YoY. Overall, for 2022, China produced 40.21mt of primary aluminium – up 4.5% from 2021, and a new all-time record, NBS reported.

The latest data from China Iron and Steel Association (CISA) showed steel inventories at major Chinese steel mills rose to 14.9mt in early January, up 14% compared to late December. Crude steel production at major mills also edged higher to 1.93mt/d during the period.

An Indonesian nickel smelter, run by PT Gunbuster Nickel Industry, resumed operations after protests in the Sulawesi facility led to violent clashes that killed two people. The smelter produces nickel pig iron (NPI) using an electric furnace with an annual capacity of 1.8mt of NPI.

Agriculture – Indian sugar output rises

The latest data from the Indian Sugar Mills Association (ISMA) shows that 2022/23 Indian sugar production rose 4% YoY to 15.7mt through until 15th January, compared to 15.08mt during the same period last year. The group said that by the middle of January, 515 mills were crushing cane, compared to 507 mills at the same time last year. ISMA expects domestic sugar production this season to total 36.5mt, up from 35.8mt in the previous season.

Weekly data from the European Commission shows that soft wheat shipments from the EU rose 6.3% YoY and reached 17.7mt as of 15th January, up from 16.6mt for the same period last year. Morocco, Algeria and Egypt were the top destinations for these shipments. Meanwhile, EU corn imports continued to rise and stood at 15.7mt, compared to 8.3mt last year due to lower domestic output.

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