

The Commodities Feed: Positive sentiment continues

The positive sentiment following the Fed's comments continued yesterday, with energy and metals trading in green. As for metals, new sanctions by the UK on Russian metals combined with positive economic data from China further helped push prices higher



Energy – IEA estimates softer oil demand

ICE Brent has been firm this morning after finishing yesterday with gains of more than 3% to US\$76.6/bbl on positive broader sentiment in the financial markets. Escalating shipping concerns in the Red Sea also added to the risk premium for oil. That said, the monthly report from IEA was quite soft as demand was downgraded mostly from Europe.

The International Energy Agency released its latest monthly oil market report yesterday. It made some downward revisions to its demand growth forecasts for 2023 while increasing growth estimates for next year. The IEA now estimates global oil demand to increase by 2.3MMbbls/d in 2023 to 101.7MMbbls/d, down by around 0.3MMbbls/d compared to its previous estimates. The agency revised down demand estimates for 4Q23 by around 400Mbbls/d due to slower demand in Europe. For 2024, the IEA estimates demand growth to halve at around 1.1MMbbls/d, although this is higher than the 0.93MMbbls/d of demand growth estimated last month.

On the supply side, the IEA estimates global supply to increase 1.8MMbbls/d this year to 101.9MMbbls/d, higher by 0.1MMbbls/d over last month's estimates. Similarly for 2024, the agency estimates supply to increase to 1.2MMbbls/d. The IEA continues to estimate a small surplus for the crude oil market this year and next.

Metals –UK sanctions on Russian metals

The UK announced new sanctions targeting Russia, prohibiting British citizens and companies from trading in a wide range of Russian metals. New measures restrict the acquisition of metals (including copper, nickel, aluminium, lead and zinc) located or originating in Russia starting 15 December. Palladium was the biggest gainer yesterday, with prices jumping almost 12% (the biggest daily gain since March 2020) to settle at US\$1,091/oz. Although the sanctions didn't include palladium supplies from Russia, the price reaction was immense as Russia accounts for about 40% of mine supply. For base metals, the LME already restricts the deliveries of Russian metals into its UK warehouses after prior government sanctions and trade limits. Currently, no Russian metal is warranted in LME-listed warehouses in the UK.

Copper, along with other major metals, extended the upward rally this morning following strong industrial production numbers from China along with a softer US dollar. China's industrial output rose 6.6% YoY in November, higher than the average market expectations of an increase of 5.7%. LME copper 3m prices rose over 3% DoD to the intra-day highs of US\$8,588/t (the biggest daily gain since 9 Jan), while aluminium prices gained over 3.2% and led the gains among the base metals yesterday.

Recent numbers from the National Bureau of Statistics (NBS) show that monthly crude steel production in China dropped further by 3.8% MoM (still up 0.4% YoY) to 76.1mt in November 2023, as domestic mills continue to reduce output amid falling profit margins, rising raw material costs and uncertain demand outlook. Cumulatively, steel output increased 1.5% YoY to 952mt over the year's first eleven months.

Among other metals, Chinese primary aluminium production rose 4.8% YoY to 3.54mt in November, while cumulative output rose 3.9% YoY to 38mt over the first eleven months of the year. The capacity expansion plans in Inner Mongolia (China's second-largest producing region) added approximately 100kt of capacity, driving the overall rise in the output last month. Meanwhile, other major producing regions' output levels remained strong following the improving profit margins and healthy demand.

Agriculture – CONAB raises Brazil's Coffee production estimates

Brazil's agriculture agency, CONAB, has raised its coffee production estimates for 2023/24 as supportive weather conditions resulted in improved yields. In its recent survey, CONAB estimates total coffee production in Brazil to rise 8.2% YoY to 55.1m bags in 2023/24, above the previous estimates of 54.4m bags. The agency said the Arabica coffee production projections increased by 18.9% YoY to 38.9m bags (vs. previous estimates of 38.2m bags). In contrast, Robusta coffee production estimates fell to 16.2m bags, down 11.2% compared to a year earlier.

The USDA's weekly net export sales report shows that soybean shipments stood at 1,084kt for the week ending on 7 December, lower than the 1,517.6kt a week ago and 2,943.4kt for the same period last year. This is also lower than the average market expectation of 1,385kt. For corn, the shipments rose to 1,418.6kt, higher than the 1,311.8kt reported a week ago and 958.9kt reported a

year ago. The market was expecting a number closer to 1,245kt. Meanwhile, US wheat shipments stood at 1,508.5kt, much higher than the 346.9kt reported a week ago and 469kt reported a year ago but lower than the average market expectations of 1526kt.

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