The Commodities Feed: Rangebound crude

Crude oil is trading with marginal losses this morning after settling higher at the end of last week. Concerns over waning demand in China have largely overshadowed the threats of tighter US and European sanctions on the Russian oil supply

Energy – China's apparent oil demand declines

The latest industrial output data from China shows that refiners reduced activity in November. Crude processed in the month fell to the lowest in five months at around 14.3m b/d as some processors shut plants for seasonal maintenance. As per the recent data from Mysteel OilChem, five state-owned plants were shut for seasonal maintenance last month. This includes Sinopec Fujian Refining & Chemical Co., which has an annual refining capacity of 12mt. Meanwhile, apparent domestic demand was also weaker, falling by around 2.1% year-on-year to a little more than 14m b/d. Cumulative apparent demand fell by 3.3% YoY to 14m b/d over the first 11 months of the year.

The latest data from Baker Hughes shows that the number of active US oil rigs remained unchanged over the week at 482, after rising by five in the preceding week. The total rig count (oil and gas combined) also remains steady at 589 over the reporting week. Primary Vision's frac spread count, which gives an idea of completion activity, decreased by three over the week to 217.

Weekly positioning data from the Commodity Futures Trading Commission (CFTC) shows that managed money net long position in NYMEX WTI dropped after rising for two consecutive weeks. Money managers trimmed net longs in NYMEX WTI by 12,448 lots over the week to 103,986 lots as of 10 December 2024. On the other hand, exchange data shows that speculators have built fresh longs of 5,349 lots in ICE Brent over the last week, leaving them with 162,273 lots of net long position. The persistent concerns around the Russia-Ukraine war along with the probability of fresh US sanctions on Russian crude have been keeping the speculative interest in energy commodities high.

In products, net bullish bets for gasoline jumped to their highest level since mid-April 2024. Speculators boosted the net longs for gasoline by 6,546 lots (after reporting declines for two straight weeks) to 73,037 lots for the week ending 10 December 2024. There are suggestions that the gasoline supply could tighten next year due to the planned refinery outages and closures. LyondellBasell's Houston refinery is set to close by the end of the first quarter and will start idling as early as January. The refinery processes about 264k b/d.

Metals – Chinese aluminium production hits record highs

The National Bureau of Statistics (NBS) numbers released this morning show that Chinese monthly primary aluminium production rose 3.6% YoY to reach a record of 3.7mt in November as rising overseas export demand helped the metal output stay elevated. Along with that, record alumina prices also helped the nationwide production of the lightweight metal to remain high despite reports of some smelters reducing output. Cumulatively, output rose 4.6% YoY to 40.2mt over the first 11 months of the year. Among other metals, monthly crude steel production fell 4.3% month-on-month to 78.4mt last month primarily due to tighter margins and seasonally weakening downstream steel consumption. Meanwhile, cumulative output fell 2.7% YoY to 929.2mt in the January-November 2024 period.

According to media reports, Japanese aluminium buyers were offered a premium of US$228/t (the highest premium since 2015) for the first quarter of 2025, up from US$175/t (+30% quarter-on-quarter) this quarter. However, it is slightly lower than the initial offers of US$230-260/t. The increase in premiums reflects expectations of tighter supply in Asia after China cancelled a 13% tax rebate on aluminium products from 1 December 2024.

In mine supply, Peru's latest official numbers showed that copper output in the country fell 1.3% YoY to 237kt in October. It is reported that cumulative output loses from mines like Cerro Verde, and Quellaveco's primarily contributed to Peru's overall production decline in October. Cumulatively, production declined 0.7% YoY to 2.23mt for the first 10 months of the year.

Meanwhile, weekly data from Shanghai Futures Exchange (ShFE) shows that inventories for base metals remained mixed over the last week. Aluminium weekly stocks fell by 9,875 tonnes for a seventh consecutive week to 214,501 tonnes as of last Friday, the lowest since 10 May 2024. Copper inventories decreased by 13,199 tonnes (-13.5% week-on-week) for the eighth week straight to 84,557 tonnes (the lowest since 2 February 2024), while zinc inventories declined by 2,317 tonnes (-4.4% WoW) for a fourth consecutive week to 50,666 tonnes (the lowest since 9 February 2024) at the end of last week. In contrast, weekly inventories for lead and nickel rose by 8.3% and 1.7% respectively.

The latest positioning data from the CFTC shows that speculators increased their net longs of COMEX copper by 1,460 lots for a second consecutive week to 12,635 lots as of 10 December. In precious metals, managed money net longs in COMEX gold increased by 18,792 lots for the third week straight to 220,189 lots over the last reporting week. The move was fuelled by rising gross longs by 17,826 lots to 236,267 lots for the reporting week. Similarly, speculators increased net longs of silver by 5,792 lots for a second consecutive week to 30,685 lots over the last Tuesday.

Agriculture – China's grain production estimates at record highs

Recent estimates from the National Bureau of Statistics show that China grain production could rise 1.6% YoY to a record high of 706.5mt for 2024. The above includes the corn production estimate of 294.9mt (+2.1% YoY), while the wheat production forecast stood at 140.1mt (+2.6% YoY) for the above-mentioned period. The rise in production estimates could be largely attributed to the favourable weather conditions for the grain crops in major producing regions, despite some regions experiencing floods, droughts and other disasters.

The latest estimates from the Western Australia Grain Association show that wheat harvest from the country's top wheat-producing state could rise to 10.83mt for the 2024/25 season, above its previous estimates of 10.33mt. Overall grain production estimates have been revised higher and there is still a week or two of harvest remaining in some regions.

The latest CFTC data shows that money managers decreased their net bearish bets in CBOT soybean by 13,897 lots for a second week straight over the last week, leaving them with a net short position of 58,320 lots as of 10 December 2024. The move was predominantly driven by falling gross shorts by 12,166 lots. Similarly, speculators decreased their net short in CBOT wheat by 2,607 lots after reporting gains for four consecutive weeks to 66,779 lots as of last Tuesday. The move was led by falling short positions with gross shorts decreasing by 3,481 lots to 149,272 lots. Meanwhile, net speculative long positions in CBOT corn rose significantly by 77,670 lots after declining for two consecutive weeks to 165,890 lots (the most bullish bets since 21 February 2023) over the last reporting week, following an increase in gross longs by 53,471 lots to 327,099 lots.

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