

The Commodities Feed: Record gold buying from central banks

The commodities complex was provided with a boost following unverified reports that China could look to ease its zero-Covid policy. Meanwhile, markets today will be fully focused on the outcome of the FOMC meeting



Energy- OPEC output edges higher

The oil market had a strong day yesterday with ICE Brent settling almost 2% higher after unverified reports that China could look to ease its zero-Covid policy. However, for now, this is nothing more than a rumour. China's covid policy has weighed heavily on oil demand this year with crude oil imports over the first nine months of 2022 averaging 9.95MMbbls/d, down 4.4% YoY.

Numbers from the API overnight have provided some further support to the market in early morning trading in Asia. US crude oil inventories are reported to have fallen by 6.53MMbbls over the last week. This is significantly more than the roughly 200Mbbbls draw the market was expecting. For refined products, distillate fuel oil stocks increased by 865Mbbbls, while gasoline stocks fell by 2.64MMbbls, which would have boosted sentiment further. Overall, it was a bullish set of numbers. However, we will need to see what the more widely followed EIA numbers show later today.

Preliminary numbers from Bloomberg show that OPEC oil production in October increased by 30Mbbbls/d to average 29.98MMbbbls/d. The largest increases came from the UAE, Nigeria and Iraq, whose output increased 70Mbbbls/d, 50Mbbbls/d and 50Mbbbls/d respectively. While Angola, Congo and Libya saw the largest declines with output falling by 60Mbbbls/d, 40Mbbbls/d and 30Mbbbls/d respectively. Production target levels for the broader OPEC+ group were lowered by 100Mbbbls/d for October. However, given that most producers are still producing well below their target production levels, the group is still well ahead in terms of compliance levels.

Metals – Aluminium smelters in Henan to reduce capacity on losses

Base metals rallied yesterday on speculation that Beijing will prepare to wind down China's Covid-19 rules. Chinese stocks and the yuan also rallied. An unverified social media post circulating online suggested that a committee is being formed to assess scenarios on how to exit its current Covid zero policy.

Three aluminium smelters in China's Henan province plan to halt 110kt of combined annual capacity on losses and to curb pollution during the winter heating season, according to a report from the Shanghai Metals Market. The plants plan to halt 10-15% of their total capacity by the middle of this month with the restart time unknown for now.

In precious metals, gold prices rose as the dollar fell ahead of a Federal Reserve meeting. Gold has been struggling to find direction in recent weeks, trading around \$1,650/oz, as investors wait for the Fed's decision, with market expectations firmly behind a fourth consecutive 75bp interest rate hike.

The latest data from the World Gold Council shows that central banks increased their buying of gold significantly over the third quarter. Central banks bought 399 tonnes in 3Q22, which is up 341% YoY and also a record quarterly amount. The data shows that Turkey, Uzbekistan, India and Qatar were the largest buyers of gold over the quarter. Those who report their numbers were net buyers of almost 90 tonnes, which leaves a significant amount of purchases from unknown buyers.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.