

## The Commodities Feed: Section of Keystone pipeline restarts

Supply concerns eased after TC Energy Corp restarted a section of the Keystone pipeline, allowing some flows to resume, which should see a partial recovery of crude oil supply flow from Canada to the US



TC Energy Corp has restarted a segment of the Keystone pipeline a week after a leak triggered the whole pipe's shutdown

### Energy – IEA revises oil demand outlook slightly higher

ICE Brent prices settled higher for a third consecutive day yesterday following an upward revision in the oil demand forecast by the International Energy Agency (IEA). However, the weekly petroleum report from EIA and softer demand data from China this morning weighs on the sentiment. TC Energy Corp restarted a segment of its Keystone oil pipeline, extending between Hardisty, Alberta to Wood River and Patoka, Illinois. This should see a partial recovery of crude oil supply flow from Canada to the US. A restart for the remaining section of the pipeline remains uncertain.

The IEA released its latest monthly oil market report yesterday and the agency made revisions higher to its demand growth forecasts for 2022 and 2023 on account of stronger demand from non-OECD countries including China, India and the Middle East. The IEA now expects global oil demand to grow by 2.3MMbbls/d (+140Mbbls/d compared to last estimates) in 2022 and 1.7MMbbls/d (+100Mbbls compared to previous estimates) in 2023. The IEA also said that total

OECD oil stocks declined in November, pointing to a rise in refinery demand. As for the Russian oil supply, the agency predicted that the output could fall by 1.4MMbbls/d over the next year following the latest price cap imposed by the G7. Meanwhile, Russian oil exports rose by 270MMbbls/d to 8.1MMbbls/d in November, the highest since April.

The latest data from the EIA shows that US commercial crude oil inventories increased by a huge 10.2MMbbls over the last week despite the supply disruptions witnessed due to the outages at the Keystone pipeline. Withdrawals from the Strategic Petroleum Reserve (SPR), the world's largest supply of emergency crude oil, continued over the week and SPR crude oil inventory dropped by around 4.7MMbbls, limiting the total crude oil inventory increase to 5.5MMbbls for the week, still the biggest increase since March 2021. The market was expecting a drawdown of 3.4MMbbls. Refined product inventory has also increased over the last week reflecting a slowdown in demand for the fuels. EIA data shows that gasoline inventories rose by 4.5MMbbls, against a forecast of an increase of 2.8MMbbls; whilst distillate stockpiles rose by 1.4MMbbls last week, compared with expectations for a build of 2.7MMbbls.

The latest data from China's National Bureau of Statistics showed that crude oil processing increased around 5% month-on-month to 14.6MMbbls/d in November 2022 as demand for Chinese fuel products in the overseas market increased further. China's refined products exports increased to 6.1mt in November, the highest in more than a year and up 38% compared to October exports. Meanwhile, domestic demand for crude oil continues to be soft with apparent demand falling 2.5% year-on-year to around 13.8MMbbls/d. The Covid-19 spike this month and previously-imposed restrictions may keep domestic demand under pressure in December and crude oil demand could remain soft in the country in the short term.

## Metals – China steel output declines further

The latest data from the National Bureau of Statistics shows that monthly crude steel production in China declined for a second consecutive month in November, due to the nationwide Covid-19 restrictions, the ongoing property crisis, and the start of winter pollution curbs. Steel production in China dropped by 6.5% MoM (up 7.3% YoY) to 74.5mt in November; cumulatively, output fell 1.4% YoY to 935mt over the first 11 months of the year. Meanwhile, steel products output gained 7.1% YoY to 109mt last month while remaining almost flat at 1,226mt between January 2022 and November 2022.

For aluminium, Chinese primary aluminium production rose 9.4% YoY to 3.4mt over the month as the higher runs in Guangxi and Sichuan provinces offset winter production cuts elsewhere. For the first 11 months of the year, output rose 3.9% YoY to a total of 36.8mt.

For copper, the latest LME data shows that total on-warrant stocks for copper reported inflows of 5.1kt (the biggest daily addition since 15 November) to 62.8kt as of yesterday. The entire inflows were reported in Rotterdam warehouses.

Data from the International Lead and Zinc Study Group shows that the global zinc market remained in a supply deficit of 117kt over the first ten months of 2022, slightly lower when compared to a deficit of 125kt during the same period a year ago. Total refined production fell 3.2% YoY to 11.1mt majorly due to lower output in Europe, whilst total consumption declined 3.2% YoY to 11.2mt between January 2022 and October 2022. For lead, total production fell 1.3% YoY to 10.1mt, while consumption fell marginally by 0.4% YoY to 10.2mt in the first ten months of the year. The lead market reported a supply deficit of 46kt between January 2022 and October

2022 when compared to a surplus of 48kt during the same time last year.

Iron ore dropped for a third day yesterday as traders weigh the impact of China's Covid surge on the economy as the country pivots away from its zero-Covid policy. Covid cases in China are surging after the government embarked on a faster-than-expected reopening, abandoning mass testing and isolation rules.

The postponement of an economic policy meeting in China, which was due to start this week, has also weighed on the sentiment. The market was expecting the meeting to announce more measures to support the property sector, which accounts for around 40% of steel consumption.

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