

The Commodities Feed: Sentiment improves on more optimism from China

Sentiment in commodities markets has mostly improved after China announced that it is further relaxing its Covid-19 measures, including moving from isolation facility quarantine to home quarantine.



Energy – A mixed bag of data from EIA

Crude oil extended its weakness yesterday, with ICE Brent settling at a fresh YTD low of US\$77.2/bbl amid continued uncertainty over demand prospects although it has recovered marginally in morning trade today. The weekly inventory report from the EIA was largely constructive for the crude oil market and provided some support to oil prices, although stock build up of refined products continues to weigh on sentiment. Further helping crude oil prices this morning were expectations of a further easing in China's zero-covid policy and a softer USD.

EIA data show that US commercial crude oil inventories dropped by another 5.2MMbbls over the last week, following a huge 12.6MMbbls of draw over the preceding week. The drop in inventory withdrawals can be largely attributed to a slowdown in exports which dropped by around 1.5MMbbls/d WoW to 3.4MMbbls/d last week. Another 2.1MMbbls of crude oil inventory was withdrawn from the SPR, taking total withdrawals to around 7.3MMbbls for the week. US commercial crude oil inventory - at around 413.9MMbbls as of 2 December 2022 - now stands

significantly below the 5-yr average of around 451.9MMbbls at this point in the season.

For refined products, the EIA reported a huge build-up in product stocks as refinery utilization increased further to 95.5%, compared to 95.2% a week ago amid lacklustre demand for fuel. US gasoline inventory increased by around 5.3MMbbls to 219.1MMbbls whilst distillate inventory increased by around 6.2MMbbls to 118.8MMbbls as of 2 December 2022.

Metals – China boosts its gold purchases

Prices of most industrial metals traded higher yesterday, supported by optimism across risk assets along with a declining dollar. LME nickel 3M prices rose over 10% DoD to their highest level in seven months yesterday, leading the gains amongst base metals. The metals complex also benefited from China's decision to ease its Covid restrictions further across major cities, brightening the outlook for metals consumption in the country.

Indonesia is weighing resuming nickel ore exports, according to a report from *Kompas* newspaper, citing an official at the Fiscal Policy Agency at the Finance Ministry. The Indonesian government is considering a number of options, including imposing taxes on exports of nickel ore, while it appeals the WTO ruling against Indonesia for banning nickel ore exports, the official was quoted as saying. Indonesia banned exports of nickel ore in 2014, relaxed the ban in 2017, and reimposed it for good in January 2020 in a bid to attract foreign investment and to grow a domestic processing industry to produce downstream materials and products in the nickel and EV battery supply chain.

A major global aluminium producer offered Japanese buyers a premium of \$95/t for the coming quarter. This is the lowest level in more than two years, according to a report from Bloomberg, amid weak demand, particularly from the auto sector and concerns over the economic impact of US monetary tightening.

The latest update from Vale SA shows that the company is estimating lower-than-expected iron ore production guidance for next year while also lowering its longer-term outlook. The company plans to stay below pre-disaster levels for the foreseeable future, as part of a shift toward higher-quality ore and value-added production. Vale is targeting output guidance of 310-320mt of iron ore for 2023, below market expectations of 325mt.

In precious metals, China reported an increase in its gold reserves for the first time in more than three years. The People's Bank of China raised its holdings by 32 tonnes in November from the month before, bringing its total to 1,980 tonnes as the country plans to further diversify away from the US dollar. Official gold holdings in China as part of total forex reserves are still at very low levels, which gives more room for further gold purchases over the coming months.

Agriculture – Ukraine's grain shipments remain low

The latest data from Ukraine's Agriculture Ministry shows that the nation has exported around 18.5mt of grain so far in the 2022/23 season, a decline of 32.7% compared to the 27.5mt grains exported during the same period last year. Total corn shipments stood at 9.98mt (+38.6% YoY), while wheat exports fell 53.4% YoY to 6.98mt as of 5 December.

Heavy rains in Brazil appear to have impacted sugarcane crushing in the country, with most mills reported to be ending the crushing season earlier than usual. Usually, sugar cane crushing in Brazil continues until the end of the first half of December - adverse weather this year has resulted in an

earlier end to crushing. Prospects of some supply losses from Brazil have been supportive of sugar prices recently.

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