

The Commodities Feed: Strong Chinese activity data

Chinese GDP data was better than expected, while other Chinese activity data was also strong. The data releases helped to push metal prices higher, however, oil was more rangebound



New orders for China's domestic market are growing faster than new export orders

Energy- Strong Chinese refinery activity

Better-than-expected GDP data from China was not enough to boost oil prices yesterday. Instead, the market settled close to unchanged and there are clearly still some concerns over the demand outlook. Weaker refinery margins will be adding to these concerns. Overnight, the API reported that US crude oil inventories fell by 2.7MMbbls over the last week, while crude stocks at the WTI delivery hub, Cushing, declined by 553Mbbls. On the refined products side, gasoline and distillate stocks also fell by 1MMbbls and 1.9MMbbls respectively. Overall, the report was fairly supportive due to a larger-than-expected crude draw and declines across the board.

Chinese activity data was also constructive yesterday. Domestic refiners processed 14.94MMbbls/d over March, up more than 8% YoY and also the highest monthly volume on record, though refinery maintenance through April will likely mean run rates fall in the next set of data. Activity and trade data also suggest that apparent oil demand over March was strong - coming in well above 14MMbbls/d. Despite the strong numbers, it would appear that China still built crude oil inventories

over the month- adding in the region of 1.7MMbbls/d.

Metals – China’s metals output recovers

The latest data from the National Bureau of Statistics (NBS) shows that Chinese primary aluminium production rose 3% YoY to 3.37mt in March. Cumulative output rose almost 6% YoY to 10.1mt in the first three months of the year. Monthly crude steel production in China continued to rebound, rising by almost 7% YoY to 95.7mt last month, while cumulative production grew 6.1% YoY to 261.6mt.

In addition to activity data, China also released another batch of trade data. The latest shows that China’s imports of unwrought aluminium and products rose 1.8% YoY to 200.5kt in March. Cumulative imports are up 7.8% YoY to 574.8kt over the first three months of the year. Alumina exports jumped 313.6% YoY to 50kt last month, while YTD exports increased more than 10-fold to 310kt. These stronger flows will be due to increased exports of alumina to Russia.

China’s Yunnan province started another round of power rationing earlier this month which may support aluminium prices in the near term. Up until now, this latest round of power cuts has not applied to aluminium smelters, but clearly, the risk is that it could extend to the industry if power shortages persist.

The latest LME COTR report shows that net bullish positions for aluminium increased by 1,625 lots to 101,813 lots, as of last Friday. With respect to copper, speculators boosted their net long position by 7,404 lots to 60,352 lots (highest since May 2021) in the week ending 14 April.

Agriculture – Indian sugar output falls

The latest data from the Indian Sugar Mills Association (ISMA) shows that cumulative domestic sugar production fell 5.4% YoY to 31.1mt through until 15 April. The group added that just 132 mills were still crushing cane by mid-April compared to 305 mills at the same time last year. Sugar has seen significant strength so far this year, with prices up more than 20% YTD. Indian and Thai sugar output has fallen short of expectations, whilst El Nino weather risks are raising concerns for production next season from these two important producers. CS Brazil is expected to produce its second-largest crop on record this season, which one would think would help ease concerns. However, logistics out of Brazil could be a problem, given that Brazil is also dealing with record corn and soybean crops.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

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