

# The Commodities Feed: Strong Chinese oil imports

The rally in oil seems to be running out of steam, despite further constructive data releases. Continued strength in the USD is likely providing some headwinds to the market



## Energy - LNG strike action set to start

The rally in the oil market appears to be running out of steam, at least for now, with ICE Brent settling a little under US\$90/bbl yesterday and coming under some further pressure in early trading this morning. The continued strength in the USD will likely provide some headwinds, not just to oil, but to the broader commodities complex.

EIA weekly inventory data, which was delayed by a day due to a public holiday earlier in the week in the US, was fairly constructive. US commercial crude oil inventories fell by 6.31MMbbls over the last week, leaving inventories at a little under 417MMbbls - the lowest level since December. The larger draw was driven by strong crude oil exports, which increased by 404Mbbbls/d WoW to 4.93MMbbls/d. Meanwhile, refinery run rates continue to creep lower as we move deeper into refinery maintenance season. On the product side, gasoline inventories fell by 2.67MMbbls to a little under 215MMbbls - levels last seen back in November. Gasoline inventories should start to edge higher as we move further out of the driving season, although we will likely have to wait until after refinery turnarounds to see more meaningful builds. Distillate fuel oil stocks increased by 679Mbbbls over the week, which again will provide some comfort to the market as we head into the winter months, although distillate stocks are still well below the 5-year average.

The latest trade data from China yesterday was supportive. It shows that crude oil imports over August averaged 12.48MMbbls/d, up 21% MoM and 31% higher than year-ago levels. While we have seen stock-building over large parts of the year, refiners have also been operating at higher rates, due to stronger domestic demand as well as increased exports. Refined product exports over August totalled 5.89mt, up 23% YoY. This leaves cumulative refined product exports over the first eight months of the year at 42.51mt, up almost 43% YoY.

Natural gas prices could get a boost higher today with strike action at Chevron's Gorgon and Wheatstone LNG facilities set to start today. This strike action was originally set to start yesterday but was delayed due to ongoing negotiations. However, this morning the Offshore Alliance has said that industrial action will commence today at 13.00 local time. The initial phase of action will see only partial strikes. However, this will escalate over time with rolling 24-hour strikes to commence from 14 September.

## Metals – China's gold reserve increase further

China increased its gold reserves for a tenth straight month in August. The latest official data shows that the People's Bank of China raised its gold reserves by about 29t to a total of 2,165t last month. China has bought around 217t of gold since last November.

Preliminary trade data from China yesterday shows that total monthly imports for unwrought copper fell 5% YoY to 473.3kt in August, as demand remains weak while domestic production ramps up. This leaves unwrought copper imports at 3.51mt over the first eight months of the year, down 10% YoY. In contrast, imports of copper concentrate rose 18.8% YoY to a record 2.7mt last month as strong domestic output lifted raw material demand. This leaves year-to-date imports at 18.1mt, up 9% YoY. In ferrous metals, iron ore imports rose 10.6% YoY to 106.4mt in August - the highest level this year. Cumulative imports grew 7.4% YoY to 775.6mt over the first eight months of the year. On the export side, China's unwrought aluminium and aluminium product shipments fell 9.3% YoY to 490kt last month, whilst year-to-date exports declined 19.4% YoY to 3.8mt. Steel product exports remain strong, reflecting weaker domestic demand. Cumulative steel product exports are up 28.4% YoY to total 58.8mt so far this year.

## Agriculture – Thai sugar output to drop

According to the Thai Sugar Miller's Corp., sugar output in Thailand will decline by almost a fifth in the 2023/24 season due to severe drought conditions. Sugarcane output is expected to fall to 82mt in 2023/24 from 93.9mt this season. As a result, sugar output is estimated to fall by 18% YoY to around 9mt in the upcoming harvest. Thai sugar exports are also expected to drop to 6mt next year from 8mt this year.

The latest data from the International Coffee Organization (ICO) shows that global coffee exports stood at 10.21m bags in July 2023, down 1.6% YoY. This includes Arabica exports of 6.2m bags (down 6.5% YoY) and Robusta exports of 4m bags (up 7.2% YoY). This leaves shipments between October 2022 and July 2023 at 103.7m bags, down 5.7% YoY.

The latest Chinese trade data show that China's soybean imports rose 31% YoY to 9.36mt in August as domestic crushers continue to take advantage of cheaper supplies from Brazil. This leaves cumulative imports at 71.7mt over the first eight months of the year, up 18% YoY.

## Authors

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

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