

The Commodities Feed: Testimony weighs on the complex

Comments from Jerome Powell during his testimony to the Senate Banking Committee were more hawkish than expected, which weighed heavily on the commodities complex, particularly oil



Energy: Fed testimony weighs on oil

The oil market came under significant pressure along with other risk assets following Jerome Powell's hawkish testimony to the Senate Banking Committee. ICE Brent settled almost 3.4% lower yesterday, which also saw the market breaking below the 50-day moving average. However, the market appears to be finding some support in early morning trading today. This is after API data released overnight shows that US crude oil inventories fell by 3.8MMbbls, which is the first weekly draw the API has reported since early February. The more widely followed EIA data will be released later today and expectations are for a roughly 1.6MMbbls crude oil build.

The EIA released its latest Short Term Energy Outlook yesterday, in which US crude oil production estimates for 2023 were lowered. US oil output is expected to grow by 560Mbbbls/d this year to average 12.44MMbbls/d, compared to a previous forecast of 12.49MMbbls/d. Meanwhile for 2024, US oil production is expected to grow by 190Mbbbls/d year-on-year to average 12.63MMbbls/d, marginally lower than a previous forecast of 12.65MMbbls/d. These numbers suggest that the

ability of the US to help with a tighter global market over the second half of 2023 will be limited.

Metals: China continues to boost its gold reserves

China, the biggest gold consumer, has continued to increase its gold reserves for a fourth straight month. The People's Bank of China raised its gold reserves by about 25 tonnes to a total of 2,050 tonnes in February. China added over 100 tonnes of gold starting from November until its most recent increase in February. Prior to this, China hadn't reported any increases since September 2019. Turkey was the biggest buyer of gold among central banks globally last year and in January. Turkey now holds 565 tonnes of gold, the highest level on record, according to data from the World Gold Council. Given the current geopolitical environment is likely to persist, we believe central banks will continue to add to their gold holdings in the coming months.

With copper demand forecast to double to 50 million tonnes by 2050 from 2020 levels, the International Copper Association (ICA) yesterday set a target for its members, among them the largest producers of refined copper in the world, to cut direct and indirect emissions by 30% to 40% by 2030, and by 70% to 80% by 2040, before reaching net zero by 2050. Members of the ICA include BHP, Codelco, Glencore, Freeport-McMoran, JX Nippon and KGHM. However, there are no members from the world's largest producer of refined copper, China. Given copper's key role in the energy transition and the "ambitious" decarbonisation plans, the sector should be an attractive investment for funds that use environmental, social and governance (ESG) criteria, the ICA said.

China's auto market recovered in February due to strong growth in new energy passenger vehicles, according to the China Passenger Car Association. The group estimates sales from new energy passenger car manufacturers to rise by 30% month-on-month and about 60% YoY in February.

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