# The Commodities Feed: USD boosts the complex

The commodity complex continues to move higher, aided by the weakness seen in the USD since the US CPI release. For oil, supply disruptions have provided a further boost to the market

## Energy – Oil supply disruptions grow

Oil continues to move higher thanks to tailwinds from the below consensus CPI report earlier this week along with weakness in the USD. ICE Brent is now trading above US$81/bbl, the highest levels seen since late April. Brent is set for its third consecutive week of gains.

It is not just macro factors driving crude at the moment. Chinese trade data for oil was constructive with flows significantly higher year-on-year and also up month-on-month. In addition, there are some renewed supply concerns. Both Libya and Nigeria are seeing disruptions at the moment. In Libya, both the Sharara and El Feel oil fields are in the process of being shut down due to protests spreading in the country. These fields have a combined production capacity of around 370MMbbls/d. Meanwhile in Nigeria, Shell has suspended operations at its Forcados oil terminal due to a possible leak. The terminal was set to ship 220Mbbls/d of crude in July. Combined, these disruptions are significant and will be felt in a market that is already set to tighten.

There is also uncertainty over whether we will see reduced appetite for Russian crude oil, given that Urals are now trading above the G7 price cap. Western shipping and insurance services can only be used for crude priced under US$60/bbl. Russia has tried to blunt the impact of the price cap by securing alternative shipping capacity, but only time will tell how successful it has been in doing so.

Both the International Energy Agency (IEA) and OPEC released their monthly oil market reports yesterday. The IEA revised lower its demand growth forecasts for 2023 by 220Mbbls/d to 2.2MMbbls/d, which still leaves oil demand this year at record levels. This should also mean that the oil market still tightens up over the second half of 2023. As for 2024, the IEA expects oil demand to grow by 1.1MMbbls/d. OPEC are more bullish on oil demand, revising up their demand growth forecasts for 2023 slightly to 2.44MMbbls/d, whilst for 2024 the group expects oil demand to grow by 2.25MMbbls/d. This is quite aggressive when considering the uncertain macro outlook.

In Europe, refined product inventories in the ARA region have declined for the fifth consecutive week, falling by 53kt over the last week to 5.65mt. Gasoline stocks fell by 30kt over the week to 1.34mt, although stocks are still comfortable and well above the 5-year average. However, middle distillates continue to tighten. Jet fuel stocks in ARA fell by 20kt to 730kt, which is the lowest level seen at this stage of the year since 2018. Meanwhile, gasoil inventories fell by 29kt over the week to 1.93mt, which is around 371kt below the 5-year average. These draws continue to offer good support to the gasoil market, with the crack remaining above US$20/bbl whilst the prompt time spread remains in backwardation.

## Metals – Edging up on dollar weakness

Spot gold rose to its highest level in almost four weeks, while industrial metals edged higher yesterday as easing inflation in the US pushed the dollar index to its lowest level since April 2022. Rising market speculation that the Federal Reserve's interest rate hikes may soon be nearing an end further lifted overall optimism across risk assets.

China released its preliminary trade data for metals yesterday, which shows total monthly imports for unwrought copper falling 16.4% YoY to 449.6kt in June amid weak demand from the property market. Higher domestic production of the metal also impacted demand for imported copper. Cumulative unwrought copper imports fell 12% YoY to 2.6mt in the first half of the year. In contrast, imports of copper concentrate rose 3.2% YoY to 2.13mt last month, while year-to-date imports rose 7.9% YoY to 13.4mt. In ferrous metals, iron ore monthly imports rose 7.4% YoY to 95.5mt, while cumulative imports are also up 7.7% YoY to a total of 576mt in the first half of the year.

On the exports side, China's unwrought aluminium and aluminium products shipments fell 19% YoY to 492.6kt last month, while year-to-date exports declined 20% YoY to 2.81mt in the first half of 2023. Exports of steel products jumped 31% YoY to 43.6mt over the first half of the year.

Recent data from China Iron and Steel Association (CISA) shows that steel inventories at major Chinese steel mills fell to 15.9mt in early July, down 7.6% compared to late June. Meanwhile, crude steel production at major mills fell marginally by 0.3% to 2.24mt/d in early July.

## Agriculture – Chinese soybean imports jump

The latest data from China Customs show that soybean imports stood at 10.27mt in June, up

24.5% YoY. Rising soybean purchases were a result of the availability of cheaper supplies from Brazil, whilst domestic crush margins have also improved from levels seen earlier in the year. Cumulative imports are up 13.6% YoY to total 52.6mt in the first half of the year.

Brazil's agriculture agency, Conab, lowered its soybean production estimates for 2022-23 due to the dry weather in the country's southern state of Rio Grande do Sul. In its monthly report, Conab estimates Brazil's soybean production to reach 154.6mt in 2022-23, down from a previous estimate of 155.7mt.

US weekly net export sales for the week ending 6 July showed strong demand for US corn, while soybean and wheat shipments fell over the week. US corn shipments surged to 939.2kt, compared to 669.7kt reported in the previous week and 407.2kt from a year ago. Soybean shipments stood at 289.8kt, down from 780.6kt in the previous week but still above the 249kt seen at the same time last year. As for wheat, shipments stood at 395.7kt, lower than the 402.8kt reported a week ago and the 1,047.2kt seen last year.

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