

The Commodities Feed: Weak economic data weigh on sentiment

Crude oil prices fell yesterday on the increasing probability that the OPEC+ meeting may conclude without tightening the oil supplies any further. A weaker set of economic data from Europe and China continue to weigh on sentiment



Market reports of divergent views from Russia and Saudi Arabia on oil supply requirements weighed on sentiment yesterday

Energy – Ample supplies push oil down

ICE Brent prices dropped around 4.6% yesterday to settle at US\$73.5/bbl while NYMEX WTI dropped below \$70/bbl on higher market uncertainty around this weekend's OPEC+ meeting. Market reports of divergent views from Russia and Saudi Arabia on oil supply requirements weighed on the sentiment yesterday as the probability of the OPEC+ meeting concluding without any production cut increases rose. Meanwhile, demand concerns continue for now due to uncertainty over the US debt ceiling deal and a weaker set of economic data from Europe and China.

Russia could increase diesel exports from the three western ports by around 30% month-on-month to around 527Mbbbls/d (around 2.12mt) in June 2023 as refineries complete the maintenance season and resume full output. Russian diesel is reported to be largely heading to the Middle East and Latin America as the EU has restricted imports of Russian fuel. Meanwhile, Russian crude oil exports have also been reported to be higher than the levels seen at the end of

2022 which has been helping crude oil supplies in the global market.

Recent reports suggest that the start of the final phase of the Al-Zour refinery in Kuwait has been pushed until the end of summer after a technical issue forced the facility to halt operations last month. Meanwhile, the first two of three sections at Al-Zour are already operational after being hit by a two-week stoppage. Al-Zour (including three mini refineries), one of the biggest oil-processing facilities being added across the Middle East, is expected to add 615Mbb/d to Kuwait's refining capacity after completion.

Metals – Slow manufacturing activity weighs on demand

The release of weak manufacturing activity data from China this morning added fresh concerns to risk assets and weighed on the metals complex. Prices of all major metals extended their declines for a second straight day this week, with LME copper prices hovering around \$8,050/t in the morning session. The latest data shows that manufacturing PMI in China contracted for a second consecutive month to 48.8 in May (vs market expectations of 49.5), the lowest since December 2022.

In aluminium, recent reports suggest that Huafon Group has started operations at its Huaqing aluminium JV smelter in Indonesia. The plant has an annual operating capacity of 250kt. Earlier, SMM said that the plant aims to reach an annual capacity of 2mt of electrolytic aluminium in the long run.

In ferrous metals, Vale might be moving ahead with its plan to expand its iron ore output in Brazil's Amazon region, foreseeing strong demand for higher-grade quality iron ore. The producer said it had discovered the world's largest open pit mine in the forested mountains of Carajas and is on track to add 30mt of capacity. Meanwhile, mining of the S11D would also result in the increased supply of roughly 260mt of iron ore from its northern operations by 2025. The most active contract of iron ore trading at the Singapore Exchange extended the declines for a second consecutive session and traded below US100/t once again today, following the disappointing Chinese demand and ample availability of supply.

Agriculture – US crop planting continues at an accelerated pace

The USDA's latest crop progress report continues to show that US corn plantings are developing well with 92% of plantings completed as of 28 May, compared to 84% of planting done at this point in the season last year and the five-year average of 84%. Similarly, soybean plantings are also rising with 83% planted as of 28 May, well above the 64% seen at the same stage last year and also above the five-year average of 65%. Meanwhile, spring wheat plantings are 85% complete, which is above the 70% planted at the same stage last season, but slightly below the five-year average of 86% for this time of the year. Meanwhile, the agency rated around 34% of the winter wheat crop in good-to-excellent condition, up from 31% a week ago, and 29% seen last year.

Weekly data from the European Commission show that soft wheat shipments from the EU reached 28.4mt for the season as of 28 May, up 11% compared to 25.5mt from the same period last year. Morocco, Algeria and Nigeria were the top destinations for these shipments. Meanwhile, the EU's corn imports stood at 24.3mt, compared to 15.1mt reported a year ago.

The USDA's weekly export inspection data for the week ending 25 May show that the export

inspections of corn stood at 1,313.4kt, marginally lower from 1,326.3kt in the previous week and 1,412.2kt reported a year ago. For wheat, export inspections stood at 382kt, down from 440.1kt from the previous week but higher than 344.3kt reported a year ago. Meanwhile, soybean export inspections rose to 239.7kt, higher than 166.6kt from a week ago but lower than 404.4kt from a year ago.

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