The Commodities Feed: China oil imports slow

Your daily roundup of commodity news and ING views

Energy

Following Friday's selloff, the oil market is stronger in early morning trading in Asia. Risk assets, in general, appear to be getting a boost this morning, with other parts of the commodities complex also stronger, equity futures trading higher, and the USD a bit softer. This comes after a number of media organisations finally called the election result over the weekend, with Joe Biden set to be the next US president, though President Trump has yet to concede.

While a Biden presidency increases the likelihood of Iranian oil supply returning to the market, this is not something that will happen overnight, and we still believe it's more likely an end of 2021/ 2022 event. By that stage, oil demand should have recovered enough for the market to be able to absorb additional supply, although this will really depend on whether we see further waves of Covid-19 through 2021, and if a vaccine becomes widely available.

Sticking with supply, and Libya continues to surprise the market. Libya's National Oil Corporation on Saturday said that the country's oil output now exceeds 1MMbbls/d. Given the speed with which this supply has hit the market, along with current demand uncertainties, we believe the market will likely remain rangebound for much of November, with the potential for some increased volatility as we approach the OPEC+ meeting in late November/ early December.

Over the weekend, China released its latest trade data, which showed that it imported

10.06MMbbls/d of crude oil over October, which is 6% lower YoY, and down 15% MoM. This is the lowest import volume we have seen since April when China imported a little under 9.9MMbbls/d. The lower flows shouldn't come as too much of a surprise, with China having been largely absent from the physical market in recent months, as independent refiners have largely used up their import quotas for 2020.

Looking ahead, and there are a number of data releases this week. Both OPEC and the IEA will release their monthly market reports, and as usual, participants will be watching closely to see what revisions both make to their demand forecasts following the latest wave of Covid-19 and lockdowns across Europe.

Metals

The latest trade numbers from China Customs shows that imports of unwrought copper and copper products fell 14.4% MoM to 618kt in October due to an unfavorable arbitrage. Instead of been cleared (counted as imports), there are reports that copper ended up in bonded warehouses. Also, the early October long holiday would have played a part in reduced imports last month. However, October imports were still up 44.3% YoY, whilst in the first ten months of the year, imports jumped 41.4% YoY to 5.63mt, which was also higher than the record purchases of 5.30mt in 2018. Meanwhile, copper concentrate imports fell 21% MoM and 11.7% YoY to 1.69mt in October. Iron ore imports fell 1.7% MoM to 106.7mt in October. However, imports remain 15% higher on an annual basis. On a YTD basis, Iron ore imports were up 11.2% YoY and totalled 975mt. On the exports side, unwrought aluminium exports fell 1.8% MoM and 2% YoY to 419kt in October. For steel products, Chinese exports stood at 4.04mt last month, when compared to 3.83mt in September.

As for the latest CFTC data, these show that speculators reduced their net long positions in COMEX copper, selling 8,877 lots over the last reporting week, and leaving them with a net long of 79,380 lots as of last Tuesday. For precious metals, speculators trimmed their net long in COMEX gold by 9,658 lots, to leave them with a net long of 121,951 lots, while decreasing their net long in silver by 326 lots.

Agriculture

CBOT soybeans gained around 4% last week, and hit a 4-year high of above US$11/bu, as China's purchases of US soybeans remained strong and whilst ongoing dry weather in Latin America kept supply prospects tight for next year. Trade data from China's Customs showed that soybean imports increased 40% YoY to 8.7mt in October, with imports from the US remaining firm. Year-to-date soybean imports increased by 17.7% YoY.

Speculative interest in corn continues to be strong on a tighter physical market. CFTC data showed that managed money net longs in CBOT corn increased by 13,845 lots over the last week, leaving them with a net long of 290,080 lots as of last Tuesday, the largest speculative position in over 8 years. On the other hand, speculative net longs in CBOT soybean dropped by 21,760 lots over the last week, as US election uncertainty prompted speculators to liquidate some of the excessive longs.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com