The Commodities Feed: China refined product exports fall

Your daily roundup of commodity news and ING views

Energy

The oil market is under a bit of further pressure in early morning trading today. Strength in the USD over the last couple of days has provided some headwinds to the market. And for the remainder of the week, the market is likely to be influenced by further external factors. All eyes will be on the FOMC meeting on Wednesday, where some believe we could already see the Fed announce its intentions to start tapering asset purchases, though our US economist is of the view that an announcement is more likely in November. A tapering announcement this week would likely put some downward pressure on oil and the broader commodities complex.

Further trade data out of China over the weekend showed weak exports of refined products for August. Diesel exports fell by 49.7% YoY to 540kt, which is the lowest monthly volume of exports since May 2015. Gasoline exports also declined by a significant amount, falling 53.4% YoY to 570kt. A large part of this reduction would have likely been driven by the government reducing the second batch of refined product export quotas for the year by 73% YoY.

The calendar for the oil market is quiet this week, apart from the usual US inventory numbers. November crude loading programmes for several West African producers are expected.

Metals

Last Friday, the Indonesian Investment Minister announced that Indonesia is planning to ban or impose a tax on nickel product shipments with less than 40% nickel content according to Bloomberg. If implemented, it could affect over 95% of Indonesia's ferronickel exports to China, which would likely push nickel prices even higher. While for aluminium, Yunnan Aluminium Co. said last week that it expects aluminium output to fall to 2.36mt in 2021. This would be 500kt lower than the initial forecast. The reduction is primarily due to power shortages and orders by local government for production controls.

The latest trade data from China Customs shows that imports of unwrought aluminium and aluminium products in August fell 42% YoY and 21% MoM to 247.5kt (lowest since May). However, imports were up 23.6% YoY to 2mt in the first eight months of the year. For steel, imports fell 52% YoY to 1.1mt last month, while on a year-to-date basis imports declined 22% YoY to 9.5mt.

The latest CFTC data shows that speculators increased their net long position in COMEX copper over the last reporting week. They bought 4,646 lots, leaving them with a net long of 36,082 lots as of last Tuesday.

Agriculture

Trade data from China Customs shows that corn imports increased 221% YoY to 3.23mt in August. Year-to-date imports are up 284% YoY to 21.4mt. Concerns over a Chinese demand slowdown due to a weaker hogs market have weighed on corn prices in recent weeks. However, healthy import data is likely to be supportive of prices in the immediate term. Corn imports could be softer in September due to supply delays from the US on account of Hurricane Ida.

The weekly Commitment of Traders report from the CFTC showed that money managers trimmed their net long position in grains over the last week after the USDA increased its supply estimates. The largest reduction was seen in CBOT wheat, where the managed money net position fell by 11,172 lots over the last week. Speculators shifted to holding a net short of 6,005 lots as of last Tuesday. The move was predominantly driven by longs liquidating, with gross longs falling by 11,805 lots over the week. For CBOT soybeans, speculators reduced net longs by 2,136 lots over the last week; while for corn, they also reduced their position by 2,943 lots.

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