

# The Commodities Feed: Firmer dollar hits metals

Your daily roundup of commodity news and ING views



Workers on a copper foil production line in Jiangxi Province

## Energy

ICE Brent continued to trade strong yesterday and settled at around US\$90/bbl before surrendering some gains this morning after a slightly hawkish tilt from the Federal Reserve. Capacity constraints for OPEC and growing risks over Russian supplies remain supportive for oil demand in the physical market with Brent prompt spreads widening to US\$1.2/bbl of backwardation yesterday compared to around US\$0.8bbl of backwardation at the end of last week. OPEC+ holds a monthly meeting next week to decide on the output increments for March and expectations are that the group could continue with its strategy of a 400Mbbls/d increase in output quotas per month.

The weekly EIA report showed that US commercial crude oil inventories increased by 2.4MMbbls over the last week, higher than the market expectation even as net imports declined. Crude oil imports in the US dropped by 0.5MMbbls/d to 6.2MMbbls/d whilst exports increased by 0.2MMbbls/d to 2.8MMbbls/d. On the positive side, crude oil stocks at Cushing, Oklahoma dropped by another 1.8MMbbls last week, the third consecutive draw from the WTI delivery hub. US crude oil production also declined from 11.7MMbbls/d to 11.6MMbbls/d last week. Refinery utilisation in the country softened from 88.1% to 87.7%.

For refined products, the EIA report was relatively constructive as implied demand for all products increased by around 502Mbbls/d led by gains in gasoline (+281Mbbls/d) and distillate demand

(+198Mbbbls/d). US distillate inventory dropped by 2.8MMbbbls last week on account of stronger demand whilst gasoline stocks increased by around 1.3MMbbbls on higher supply.

## Metals

A firmer dollar after the Fed meeting saw metals trade lower during the early sessions on Thursday. Copper and nickel slipped more than 1% from Wednesday's close, while zinc and aluminium remain relatively firm. The supply risks rising from a potential Russian invasion of Ukraine saw aluminium stand firm above US\$3,000/t, and premiums have also been rising in Europe.

On the data front, Japan's shipments for aluminium rolled products rose by 0.7% year-on-year in December, thanks to higher demand for beverage cans and recovering growth in housing starts, though domestic vehicle output cuts kept the overall demand gains capped, according to the latest data from the Japan Aluminium Association. Total shipments to domestic and overseas markets were 148.14kt last month. For the full year 2021, shipments rose 9.4% YoY to 1.9mt, recording the first increase in four years, as the economic situation improved from the pandemic.

In bulks, iron ore reversed some losses, bouncing back after supportive comments from China about its steel industry. Beijing will introduce measures such as lowering taxes to support local industries facing difficulties. It is also said that the policy for the steel industry this year would not be focused on reducing the overall nation's production capacity. This has once again ignited hopes for a revival in raw material demand, which would be more visible post-February.

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