

The Commodities Feed: Growth concerns weigh on oil

Your daily roundup of commodities news and ING views



Energy

Demand concerns weighed on oil yesterday, following the IMF downgrading global economic growth on the back of the Russia-Ukraine war and Covid related lockdowns in parts of China. In recent weeks both the IEA and OPEC have downgraded their oil demand growth forecasts due to revisions lower in economic activity. There are already some signs that we are seeing demand destruction occurring in the current high price environment. Preliminary data out of India shows that gasoline sales fell by almost 10% in the first half of April compared to the same period in March. Meanwhile, diesel sales fell by more than 15% during the period.

API numbers overnight have helped to stabilize the market somewhat in early trading today. US crude oil inventories reportedly fell by 4.5MMbbls over the last week. On the refined product side gasoline inventories increased by 2.93MMbbls, whilst distillate stocks fell by 1.65MMbbls. Clearly, this will do little to help ease concerns over the tightness we are seeing in middle distillates globally.

We still believe that risks to the market are skewed to the upside. Firstly, we continue to see disruptions to Libyan oil supply due to protests, with output falling by around 500Mbbls/d in recent

days. And there is the potential for further disruptions. Libya is reportedly pumping around 800Mbbls/d at the moment. But the key upside risk remains the potential for an EU ban on Russian oil and more importantly how quickly a potential ban would be implemented.

Metals

A spike in US Treasury yields along with further strength in the USD saw a number of base metals give back a lot of the gains made earlier in the session.

LME 3M copper hit an intraday high of US\$10,516/tonne, the highest level in two-weeks on signs of improving logistics from China and fresh mine supply risks after MMG shut operations at Las Bambas. The market still settled lower on the day. The market dislocation between London and Shanghai has seen the red metal being registered at nearby warehouses in South Korea and Taiwan, which offset those being cancelled at US-based warehouses earlier this month. Total LME copper stocks have edged to a five-month high of around 96kt as of Tuesday reporting. Zinc inventories continue to decline to critical levels on the LME, which has lent strong support to prices. 3M zinc extended its rally, trading to an intraday high of US\$4,540/tonne yesterday.

Iron ore prices slipped from their recent highs towards US\$150/tonne in Singapore as Tangshan city entered another round of lockdowns. In addition, the latest rhetoric from the National Development and Reform Commission (NDRC) on the nation's crude steel production hit iron ore's demand prospect while supply is on a steady rise from major miners. Yesterday, a spokesman from NDRC said that they would work together with other ministries, including MEE and MIIT, to ensure crude steel production falls from 2021 levels. According to CISA, daily average crude steel production has risen to 2.86 mln tonnes during the first ten days of April, up by 5.42% from the same period of March. This brings annualised crude steel production to over 1.04 bln tonnes for 2022, a tap higher than the 1.033 bln tonnes in 2021 based on NBS data. The latest mandate from NDRC is likely to put pressure on iron ore demand prospects should production cuts be required to bring annual output in line with the target.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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