The Commodities Feed: Record gold ETF inflows

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The World Gold Council expects banks to continue buying gold in 2024, given the persistent economic and geopolitical uncertainty against a backdrop of high inflation

Energy

API numbers released overnight were somewhat different to what the market was expecting, with crude oil inventories growing by 2.05MMbbls over the last week, compared to expectations of a draw of around 3MMbbls. On the product side, draws were seen for both gasoline and distillate fuel oil, which showed decreases of 1.83MMbbls and 847Mbbls respectively. The surprise decline in gasoline inventories provided some upside to gasoline cracks, with the market expect a small build. Although let's see what EIA numbers later today show when it comes to implied demand, as the data should reflect any impact from the tightening of Covid-19 related restrictions in several states.

The EIA released its latest Short Term Energy Outlook yesterday, where they revised their US crude oil production estimate for 2020 slightly up from 11.57MMbbls/ d to 11.64MMbbls/d. While further downward revisions were made to production estimates for May and June, for the remainder of the year output was slightly raised, likely on the back of a stronger price environment and the fact that producers are set to bring back shut-in production. Meanwhile for 2021, the EIA is forecasting US production to average 11.01MMbbls/d, up from their previous forecast of 10.84MMbbls/d.

Metals

Gold prices have resumed their move higher, with spot gold breaking above the highs seen in 2012, and edging ever closer to the US$1,800/oz mark. In its latest update, the World Gold Council showed that gold-backed ETFs recorded their seventh consecutive monthly increase, with inflows of 104t in June, which took global holdings to a new record of 3,621t. During 1H20, global ETF net inflows totalled 734t; exceeding the previous annual record of inflows, as well as surpassing the levels of net gold purchases seen from central banks in 2018 and 2019.

Turning to copper, and China in its ninth batch of scrap metal import quotas, approved a total of 177kt of copper scrap (third-largest amount so far this year), significantly higher than the 1.6kt approved in the previous batch. Meanwhile, looking at mine supply, First Quantum is set to resume production at its Cobre Panama copper mine, after the government lifted the temporary Covid-19 related suspensions. The mine has been shut for 3 months, and is expected to reach its full capacity by mid-August. For zinc, Huanzala and Palka zinc mines are reported to have restarted operations, after having closed in March.

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