

The Commodities Feed: The metals complex rallies

Your daily roundup of commodity news and ING views



Workers on a copper foil production line in Jiangxi Province

Metals

Metal prices rose across the board as macro tailwinds continued to provide support. Despite pushbacks from the downstream physical market, copper managed to continue its parabolic run, approaching its decade high, with LME 3M prices hitting an intraday high of US\$9,765/t yesterday. Further stoking the spike is strike action at Chilean ports, which is threatening exports of copper concentrate amid an already fairly vulnerable supply picture.

The relative strength in LME copper versus Shanghai, however, has led to an open export arbitrage for some players, which may potentially deter some speculative buying in London in the very short term. The speed of copper's seasonal destocking is lagging due to its high prices. In addition, there were reports that spot treatment charges rose for the first time since last August, possibly an early sign that spot TCs may be bottoming, but still too early to call.

Energy

Rangebound trading remains the theme for the oil market, with ICE Brent continuing to trade a little above US\$65/bbl. There are clearly some concerns around the demand outlook, particularly over how the Covid-19 situation is developing in India. The big question is whether OPEC+ feels that the situation is bad enough to alter its planned production easing from 1 May. We still expect that the group will announce no changes to its plan when they meet tomorrow.

Despite the situation in India, yesterday the Joint Technical Committee of OPEC+ reportedly increased their demand growth estimates to 6MMbbls/d for this year, up from 5.6MMbbls/d last month. In addition, OPEC+ believe that the inventory overhang will have largely disappeared by the end of this quarter.

Libya's National Oil Corporation has lifted the force majeure that was put in place last week on the eastern port of Hariga after a funding dispute was resolved. Production is expected to restart gradually. Last week, Agoco said that it was forced to reduce output due to a lack of funding, which saw the country's output fall by 280Mbbls/d.

Agriculture

The Agri complex continues to move higher, with CBOT corn and wheat settling up around 3.8% and 4.1% respectively yesterday, whilst soybeans were up almost 2% on the day. The major catalyst for the move continues to be dry and cold weather in the US and Brazil, which has raised concern over the impact it could have on production. These supply concerns are coming at a time when demand remains strong, with the latest weekly data from the USDA showing that US corn export inspections increased to 1.95mt over the last week compared to 1.56mt in the previous week and 1.08mt during the same period last year. Year-to-date export inspections for corn have increased 83.9% YoY to 41.2mt.

Meanwhile, the monthly MARS bulletin from the European Commission pointed to a cold and dry spell in Europe for much of March and April, which provided further support to wheat. The Commission has not made any significant revisions to its wheat yield estimates for now; however, adverse weather continues to be a risk. The European Commission expects wheat yields in the region to average around 5.64t/ha for the 2021 crop, compared to an earlier estimate of 5.67t/ha and the 5-year average of 5.47t/ha. Adding further support to wheat was a report from India stating that government procurement of wheat has accelerated this year to provide relief to farmers during Covid-19 times, which could lead to smaller exports for the current season. The Food Corporation of India is reported to have purchased around 20mt of wheat since the beginning of the season on 1 April, more than a four-fold increase from the same stage last year.

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