

The Commodities Feed: US inventories grow

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Energy

Oil struggled once again yesterday, with ICE Brent edging back towards the US\$40/bbl level. The market largely ignored reports that China was planning to boost its commodity reserves as part of its next five-year plan, and instead, the focus was on the bearish US inventory numbers. The EIA reported that US crude oil inventories increased by 2.03MMbbls over the last week, which is the first weekly increase in inventories since mid-July. While US crude oil production continues to recover following Hurricane Laura, the numbers show that refineries further reduced run rates over the last week. Run rates fell 4.9 percentage points to 71.8%, leading to a decline in crude oil inputs by 1.09MMbbls/d over the week. Lower refinery activity also meant that refined product inventories fell, with gasoline and distillate fuel oil stocks declining by 2.95MMbbls and 1.68MMbbls respectively.

Looking ahead, and next week is set to be a fairly busy week for the oil market. On Monday OPEC will release its monthly oil market report, this will be followed by the IEA's monthly report on Tuesday, and finally, on Thursday the OPEC+ Joint Ministerial Monitoring Committee will meet, and this should shed some light on what OPEC+ are thinking following the latest sell-off in the oil

market.

Metals

According to the LME monthly off-warrant data (up to July) which was released yesterday, there was a 12kt increase in off-warrant copper inventories, taking the total to 169kt. Across the major reporting regions, there were diverging trends. In Asia, 17kt was withdrawn, mostly from Busan (-13kt), which is likely to be the result of Chinese buying, while in the US, off-warrant stocks increased by around 12kt.

Aluminium off-warrant stocks increased by around 146kt, with most of the gains coming from Asian locations, such as Gwangyang and Kaohsiung. Total aluminium off-warrant inventories reached 1.22mln tonnes compared to 1.64mln tonnes of on-warrant inventories at the end of July. Nickel off-warrant inventories rose moderately by 1.5kt to 24kt. Zinc was the only base metal that declined, with off-warrant stocks falling by 17kt during the reporting period, taking the total to 58kt by the end of July. However, exchange on-warrant inventories increased by 66kt between June and July.

Finally, alumina exports from Brazil dropped 18.4% YoY to 573kt in August due to reduced shipments from both the Alunorte and Alumar refineries. Last month, Hydro announced the halting of a pipeline transporting bauxite from its Paragominas mine to the Alunorte refinery due to extended maintenance. The move was expected to reduce Alunorte's alumina output to 35%-45% of total capacity and was also expected to give a lift to alumina prices. Despite this disruption, Australian Alumina FOB prices have failed to post any major rally up until now, and have in fact declined close to 1% since the start of the month.

Agriculture

CBOT corn prices surged to a near 6-month high of a little over US\$3.57/bushel yesterday on expectations of stronger Chinese demand. Reports that China is planning to boost commodity reserves would have helped, whilst China's main corn-producing regions continue to see excessive rains which may reduce domestic output and increase the need for imports.

There were plenty of data releases from Brazil yesterday. Firstly, CONAB increased its estimates for soybean and corn production for 2019/20 on account of better yields. The agency now estimates soybean production to have increased to 124.8mt for the marketing year, compared to its earlier estimate of 120.9mt. Corn production estimates were revised marginally higher from 102.1mt to 102.5mt for the season.

UNICA reported sugar production numbers for the Centre-South region for the second half of August. The industry crushed 42.1mt of cane over the period, down a little more than 12% YoY. However, the strong allocation of cane to sugar production rather than ethanol saw sugar output climb 16.3% YoY to 2.93mt over the period. Cumulative sugar production so far this season stands at 25.9mt, up almost 44% YoY.

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