

The Commodities Feed: USD hits the complex

Your daily roundup of commodity news and ING views



Energy

A stronger USD weighed on the commodities complex yesterday and oil was unable to escape this pressure. However, the 100-day moving average appears to be offering some support to the prompt ICE Brent contract. Fundamentally, the market is still waiting on a full return of US Gulf of Mexico (GoM) production following Hurricane Ida, which made landfall more than a week ago. According to the latest data from the Bureau of Safety and Environmental Enforcement, 1.44MMbbls/d of crude oil production remains shut in. This is equivalent to 79.33% of total US offshore GoM production. So far Hurricane Ida has resulted in 19.2MMbbls of production being lost, and with output still set to take a while to recover, these losses will only grow. Refinery operations appear to be making a quicker recovery. The latest situation report from the Department of Energy shows that as of yesterday, only 5 refiners remain shut as a result of Hurricane Ida. These temporary closures amount to 1MMbbls/d of capacity, down from a peak of more than 2MMbbls/d. However, those refiners that have restarted are unlikely to be operating at full capacity at the moment. Inventory reports from the EIA and API should be interesting this week, as the numbers should reflect the impact of the storm. Both reports this week will be delayed by a day due to a public holiday in the US earlier in the week.

The latest trade data from China shows that crude oil imports in August averaged 10.53MMbbls/d, which is an improvement from the 9.73MMbbls/d imported in July. This likely reflects the release of the latest batch of import quotas to refiners, as well as a recovery in independent refinery runs more recently. However, import volumes are still down by around 6% YoY, while cumulative imports for the first 8 months of the year are 5.7% lower YoY.

Metals

The industrial metals complex was under pressure yesterday as a result of a stronger USD. While relatively poor trade data from China would have not helped, particularly for LME copper, which settled more than 1% lower on the day. The latest trade data shows that unwrought copper imports declined 7% MoM and 41% YoY to 394kt in August. This leaves cumulative imports over the first 8 months of the year at 3.6mt, down 15.4% YoY. Copper concentrate imports performed better. Volumes totalled 1.89mt in August, which is almost flat from the previous month. Cumulative imports for this year grew by 7.5% YoY to 15.27mt.

The stronger USD also saw aluminium settle lower yesterday, despite concerns over bauxite supply disruptions following the coup in Guinea over the weekend. While initial reports claimed that the military had closed land and air borders, miners have since been urged to continue operations. Up until now, there have been no reports of mine disruptions, but this can quickly change if the situation deteriorates. Guinea is the second largest supplier of bauxite and is a key supplier to China. So far this year 55% of China's bauxite imports originated from Guinea.

Agriculture

The latest export inspection data from the USDA shows that corn and soybean exports dropped sharply over the week ending 2 September as Hurricane Ida disrupted shipments from the region around Louisiana. Soybean export inspections dropped to a five-year low of 68.1kt for the week, compared to around 387kt in the previous week, and around 1.5mt for the same week last year. Corn export inspections fell to 276kt for the week, compared to around 584kt a week ago, and 888kt at the same stage last year. Shipments are likely to recover this week, although it may take a while for exports to fully recover due to infrastructure damage and power outages.

China's trade data shows that soybean imports increased 9.5% MoM to 9.5mt over August, although was still marginally below the 9.6mt imported in the same month last year. Domestic soybean crush margins have recovered strongly since making a low in June, which should support future imports.

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