

The Commodities Feed: China macro concerns grow

Weak Chinese data yesterday weighed heavily on the commodities complex. However, there was an exception: European and Asian natural gas prices rallied on continued uncertainty over Australian LNG supply



Shanghai, China

Energy: Natural gas spikes higher once again

The effects of weaker-than-expected [Chinese macro data](#) rippled through the commodities complex yesterday, including oil. ICE Brent settled more than 1.5% lower on the day with worries over what this weak data means for the Chinese economy and oil demand. In addition, much stronger-than-expected US retail sales likely led to some questions over whether the US Federal Reserve may still have a bit more to do when it comes to policy tightening.

API data released overnight was more constructive, with US crude oil inventories falling by 6.2MMbbls over the last week, quite a bit more than the roughly 2.5MMbbls draw the market was expecting. In addition, Cushing crude oil inventories fell by 1.03MMbbls, whilst for products, gasoline stocks declined by 761Mbbls and distillate inventories increased by 658Mbbls. The more widely followed EIA weekly report will be released later today.

Natural gas prices continue to trade in a volatile manner. TTF settled more than 12% higher yesterday with growing concerns over the risk to Australian LNG. There was no breakthrough in talks yesterday to avoid strike action and so clearly the risk of supply disruptions is growing. We should get more clarity on the situation towards the end of the week. However, the European market is in a very good position. European storage is basically 90% full now, hitting the European Commission's goal about two and a half months before the target date. It is looking as though European storage will essentially be full before the start of the next heating season and so we would expect to see renewed downward pressure on prices, particularly once there is some clarity around Australia.

Metals: Headwinds for gold

The metals complex came under pressure yesterday following the weak set of Chinese data (retail sales and industrial production), whilst Chinese new home price data released this morning will also do very little to help sentiment with prices in July falling 0.23% month-on-month, compared to a MoM decline of 0.06% in June.

On top of weak Chinese macro data, LME inventories for a number of metals continue to climb higher. LME copper stocks increased by 4,775 tonnes yesterday to a little over 90k tonnes. In fact, LME copper inventories have increased by almost 36k tonnes since mid-July. Higher inventories have weighed on the LME copper cash/3m spread with it trading in a contango of US\$56/tonne, compared to a contango of just US\$7/tonne back in mid-July. Zinc inventories in LME warehouses also saw big increases yesterday with inflows of 14,725 tonnes, which leaves inventories at 106,900 tonnes- the highest levels since April 2022.

Spot gold is managing to hold above US\$1,900/oz, although it briefly broke below this level following stronger-than-expected US retail sales numbers. This data might start to raise some doubts over whether the Fed is really done with its tightening cycle. Any further data suggesting the Fed still has more work to do will likely put pressure on gold prices. And with the increase seen in real yields lately, it is difficult to see any meaningful upside to gold prices in the short term.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.