

# The Commodities Feed: European gas sell-off

Oil prices firmed yesterday with shorts likely covering ahead of this week's FOMC meeting. European gas prices came under further pressure as milder weather spread across the region



## Energy – Refiners react to weaker margins

ICE Brent settled 1.59% higher yesterday, possibly as shorts in the market cover their positions ahead of Wednesday's FOMC meeting, where the market is still torn between a 25 basis point or 50bp cut from the Fed. There are also lingering concerns over Libyan oil supply, which continues to be disrupted due to political fighting over the central bank's control. In addition, in the US, a little more than 12% of US Gulf of Mexico oil production remains shut-in following Hurricane Francine.

Refinery margins around the globe remain under pressure. Unsurprisingly this weakness is leading refiners to reduce their run rates. In Spain, it is reported that Repsol will be cutting run rates by around 5%. While in Italy, ENI will reportedly reduce run rates by as much as 10% at some of its refineries. A reduction in run rates is obviously not great for crude oil demand.

European natural gas prices came under further pressure yesterday. TTF settled 4.4% lower on the day and finished at its lowest level since late July. Warmer weather weighed on prices. EU storage continues to tick higher despite reduced flows from Norway, where heavy scheduled maintenance

is ongoing. Admittedly, storage builds have slowed significantly due to these reduced flows, but EU storage still stands at more than 93% full.

## Metals – Aluminium surges on raw material supply concerns

LME aluminium settled more than 2.3% higher yesterday to close at \$2,528/t due to concerns over the raw materials market. Severe weather conditions and pressure in the catchment area of a dam led to the collapse of a water storage pond at a Vedanta Ltd. alumina refinery in India. However, the company has stated that there was no disruption to operations at the Lanjigarh refinery and that alumina production remains unaffected.

Spot gold prices hit record highs once again yesterday, reaching almost \$2,590/oz. This is as expectations build that the Fed could cut by 50bp at Wednesday's FOMC meeting. According to the CME FedWatch tool, the chances of a 50bps cut are now 62%, while the probability of a 25bp cut is estimated at 38%. The gold market will likely be disappointed with only a 25bp cut.

## Agriculture – Arabica prices rise on supply woes

Arabica coffee futures jumped more than 4.8% to a high of US\$272/lb yesterday (the highest since September 2011), amid supply concerns from Brazil due to dry weather conditions for the ongoing season. Arabica prices have increased by around 40% this year, due to stronger demand with supply shortages of robusta beans in the global market.

The latest crop progress report from the USDA shows that the US corn crop continues to remain in good condition with 65% of the crop rated good-to-excellent, up from 51% at the same stage last year. Similarly, 64% of the soybean crop is rated good to excellent, compared to 52% at the same stage last year.

Weekly export inspection data from the USDA for the week ending 12 September shows that US soybean shipments rose while corn and wheat exports slowed over the last week. US weekly inspections of wheat for export stood at 556.9kt, down from 620.8kt in the previous week but up from the 422.6kt reported a year ago. Similarly, export inspections for corn stood at 521.1kt over the week, lower than 839.3kt in the previous week and 676.3kt reported a year ago. However, US soybean export inspections stood at 401.3kt, compared to 365kt a week ago, and 430kt seen a year earlier.

### Authors

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

#### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto: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 <http://www.ing.com>.