

The Commodities Feed: Gold approaches all-time high

Price action in the oil market yesterday was fairly subdued despite a constructive inventory report from the EIA. Meanwhile, gold prices continue to firm and clearly the US jobs report later this week will be important for where prices go next



Source: shutterstock

Energy – Saudis hike official selling prices

Price action in the oil market was fairly muted yesterday despite the Energy Information Administration reporting relatively large declines in both US crude oil and refined product inventories. US commercial crude oil inventories fell by 3.74MMbbls over the week. This, however, was slightly less than the 4.3MMbbls the API reported the previous day. In addition, crude oil inventories at Cushing fell by 970Mbbls, which is the fifth consecutive week of declines at the WTI delivery hub. Despite this tightening, the prompt WTI timespread continues to trade in contango, although admittedly a very narrow contango. On the refined product side, gasoline and distillate stocks declined by 4.12MMbbls and 3.63MMbbls respectively. Inventories for both these products are at their lowest levels for this time of year since 2014. Implied demand numbers were also fairly strong over the week. Gasoline demand was up 150Mbbls/d to average 9.3MMbbls/d compared to a 5-year average of around 8.5MMbbls/d – although the 5-year average is heavily

skewed due to the Covid demand hit seen in 2020. Overall, the EIA report was constructive for the market.

Unsurprisingly Saudi Arabia raised its official selling price (OSP) for all of its grades of crude oil into Asia for May. These increases come after Saudi Arabia and a handful of other OPEC+ members shocked the market last weekend by announcing surprise supply cuts. Arab Light into Asia was raised by US\$0.30/bbl to US\$2.80/bbl over the benchmark – this is the third consecutive month of increases in the OSP as China sees a recovery in demand following the dropping of its zero-Covid policy. OSPs for all grades into the US were also increased for May, whilst prices into Europe and the Med were left unchanged MoM.

Metals – Gold flirts with all-time high

Spot gold has closed above the US\$2,000/oz mark this week for the first time since March 2022 after US data showed the job market is loosening, fuelling expectations that the Fed is nearing the end of its monetary tightening cycle. Gold has also benefitted over the last month from increased safe-haven demand given concerns from the banking sector. Markets will be keeping a close eye on the US jobs report later this week and whether this takes the gold market to striking distance of its all-time high of US\$2,075.47/oz made in August 2020.

Iron ore extended its decline yesterday following China's National Development and Reform Commission (NDRC) urging futures companies to not exaggerate price moves in the iron ore market. These warnings have weighed on sentiment with prices down around 6% so far this week. The NDRC said it will continue to keep a close eye on the iron ore market and continue to increase its regulatory oversight to maintain the normal order of the market.

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.