

The Commodities Feed: Gold benefits from haven demand

Broader market concerns are having the impact you would expect, risk assets, including the bulk of the commodities complex, are coming under pressure, while gold is benefitting from stronger safe-haven demand. This week's FOMC meeting will be important for where markets go next



Energy - TTF breaks below EUR40/MWh

Price action in the oil market yesterday was choppy with direction once again dictated by broader market worries, given developments in the banking sector. ICE Brent fell towards US\$70/bbl but managed to hold above this level and in fact settled more than 1.1% higher on the day.

Timespreads have weakened along with the broader flat price weakness in recent days. The prompt ICE Brent spread has fallen from more than a US\$0.60/bbl backwardation to around US\$0.20/bbl recently. This weakness is not isolated to the prompt spread with weakness across the forward curve. A flattening in the curve suggests the market is less worried about tightness in the physical market. This will likely be a result of Russian supply holding up better than expected, while demand concerns will not be helping.

European gas prices came under further pressure yesterday. TTF fell by more than 8% on the day,

which saw it settling below EUR40/MWh - the lowest level since July 2021. Europe has already started to see injections, which has seen storage levels edge higher over the last couple of days. EU storage is about 56% full and with the heating season officially over in less than 2 weeks, it is very likely it ends with storage above 50%. We will need to keep an eye on domestic consumption and see how it responds to the lower price environment. Already, if we look at German gas consumption data for week 10 of the year, it was down just 3% from the 2018-21 average.

Metals – Gold tops \$2,000/oz for first time in a year

Spot gold briefly broke above \$2,000/oz yesterday for the first time since March 2022, on the back of haven demand amid continued fears over the global banking sector. Last week gold ETF holdings increased by more than 700koz to 92.52moz. Wednesday's FOMC meeting will be important for gold and broader markets with plenty of uncertainty over what the Fed may do given current market developments. A pause in hiking would likely provide a further boost to gold prices.

Daily average global aluminium production rose to 188,300 tonnes in February, up from 187,800 tonnes in January and 2.67% higher YoY, according to the International Aluminium Association (IAI). Total output over the month was 5.27mt. Aluminium production in Western and Central Europe is still under pressure, falling 9.1% MoM and 10.8% YoY to 209kt in February. Chinese estimated production came in at 111,000 tonnes/day, up 0.35% MoM.

Agriculture – US weekly grain inspections rise

The USDA's weekly export inspection data for the week ending 16th March showed that the demand for US grains remained strong over the last week. US weekly export inspections of corn rose to 1,188.7kt compared to 1015.2kt in the previous week, but lower than the 1,496.8kt reported a year ago. US soybean inspections rose to 716.6kt, up from 633.4kt a week ago and 556.6kt a year ago. And US wheat export inspections stood at 374.2kt, higher than the 256.9kt seen in the previous week and 335.1kt a year ago.

The latest data from the Uganda Coffee Development Authority shows that Uganda shipped 478,646 bags of coffee in February, up 6.3% YoY as exporters unloaded stockpiles citing high global prices. Robusta accounted for 78% of the total exports. However, coffee exports for the season are still down 4.5% YoY to a total of 2.29m bags so far.

In its latest monthly crop-monitoring report, the European Commission revised higher its total wheat yield estimate to 5.77t/ha for the 2022/23 season, this is above the 5.57t/ha seen last year and the 5-year average of 5.59t/ha. The report further highlighted that winter crops are in fair to good shape across most of Europe, after the mild winter. However, partially expanding and intensifying dry conditions in southern parts continue to threaten overall crop conditions.

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.