

## The Commodities Feed: More positive US data

Oil edged higher yesterday following some good US macro data. However, this data also increases the likelihood of further rate hikes. And the expectation of further hikes will ultimately provide resistance to commodity prices moving significantly higher



### Energy - ARA gasoil inventories fall further

The oil market managed to edge higher yesterday with ICE Brent settling a little more than 0.4% higher on the day. This follows first-quarter US GDP being revised significantly higher, while jobless claims also fell over the week. However, stronger-than-expected US macro data also increases the likelihood of further rate hikes from the Fed. Growing expectations of further hikes is one of the factors which is capping the upside in the market, while on the downside, the belief that OPEC+ will take further action if there is significant further weakness provides a floor to the market. As a result, the oil market continues to trade in a fairly rangebound manner.

The latest data from Insights Global shows that gasoil inventories in the ARA region fell by 35kt over the last week to 2mt. This is the lowest that gasoil inventories have been in the region since December and stocks are now around 300kt below the 5-year average for this time of year. It is this tightening which continues to provide support to middle distillates with the ICE gasoil crack

continuing to trade around the US\$20/bbl level. Refinery outages have contributed to the tightening, but a return of these refiners, the ramping up of new capacity over 2H23 and demand concerns suggest that further upside is likely limited.

China will be releasing PMI data today. The manufacturing PMI has been in contraction territory for the last two months and the expectation is that we will see yet another contraction over June. A weak set of data will not be great for commodities, particularly for the metals complex.

Other releases on the calendar for today include the Baker Hughes US rig count data. And if the trend seen for the last several months holds, we will likely see a further slowdown in US drilling activity. In addition, the CFTC and ICE will be releasing their latest Commitment of Traders reports. Price action over the last reporting week suggests that speculators should have reduced their net long position in ICE Brent.

## Metals – Zinc and lead on-warrant stocks climb

Recent LME data shows that total on-warrant stocks for lead increased by 1,075 tonnes to 41,225 tonnes as of yesterday, the highest since February 2022. The majority of the additions came from the warehouses in Port Klang, Malaysia. As for zinc, on-warrant stocks rose by 2,625 tonnes to 68,350 tonnes.

## Agriculture – IGC lowers corn output estimates

In its latest monthly update, the International Grains Council (IGC) lowered its 2023/24 global corn output forecasts from 1,217mt to 1,211mt, while consumption projections were reduced to 1,205mt from a previous forecast of 1,211mt. Weaker consumption means that global corn ending stocks are expected to increase from 272mt to 276mt. For wheat, the council revised its global ending stock estimates down from 271mt to 264mt, despite a slight increase in output forecasts. The reduction in stocks was driven by expectations of stronger demand.

The USDA's weekly net export sales for the week ending 22 June showed strong demand for US corn and wheat, while soybean shipments dropped over the previous week. US corn shipments surged to 263.9kt, compared to the 83.1kt reported in the previous week and 208.1kt from a year ago. Similarly, wheat exports rose to 155.2kt, higher than the 123.9kt reported a week ago but lower in comparison to 496.7kt from a year ago. Finally, soybean shipments stood at 244.4kt, lower than the 626.3kt reported a week ago.

### Author

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@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 [www.ing.com](http://www.ing.com).