

The Commodities Feed: Oil spreads strengthen

Sentiment in the oil market remains constructive. Price direction in the immediate term will be dictated by what Saudi Arabia and Russia decide to do with their supply cuts



Energy- Further escalation in LNG labour talks

The oil market managed to edge higher yesterday with ICE Brent settling at US\$89/bbl, although trading volumes were relatively subdued owing to a public holiday in the US. Sentiment in the oil market remains largely constructive, particularly with a largely bullish narrative coming out of the ongoing APPEC week in Singapore. In addition, the oil market is waiting and expecting Saudi Arabia to extend its additional voluntary supply cut, while Russia is also expected to extend its cuts. Given market expectations, it is unlikely that the two producers would stray away from an extension and so risk a sell-off in the market.

The strength that we have seen in the flat price over the last week has been accompanied by stronger time spreads, with the prompt spread strengthening to a backwardation of US\$0.75/bbl, up from US\$0.39/bbl at the start of last week. Meanwhile, the Dec'23/Dec'24 spread is now trading above US\$6/bbl. These stronger spreads suggest that we will continue to see a tightening in the physical market, something which our balance sheet also shows through until the end of this year. Given that the market is only expected to tighten further, this suggests that there is room for

further upside in both the flat price and time spreads.

As for natural gas, negotiations between Chevron and unions do not appear to be progressing well. Partial strike action at the Gorgon and Wheatstone LNG facilities in Australia is set to commence on 7 September. However, the Offshore Alliance has now said it has served Chevron with a further notice for full rolling stoppages from 14 September. This is likely to provide some support to gas prices today and comes at a time when there is ongoing maintenance work at the Norwegian gas field, Troll, which has seen flows from Norway falling to around 130mcm/day, compared to more than 300mcm/day in mid-August.

Metals – Philippines nickel ore output rises

The latest data from the Philippines Mines Bureau shows that domestic nickel ore output climbed 40% YoY to 16.9 million dmt in 1H23 with most mines reporting output. The bureau said that 25 of the 33 operating mines reported production for the above-mentioned period. Domestic output is expected to pick up further as four mining projects are all set to start operations from this year through to 2025.

In mine supply, recent official data shows that copper output at Zambia's Mopani mines fell to 14.9kt in 1H23 on rising costs and falling output, compared to 20kt in the same period last year. Zambia's state-owned ZCCM took control of Mopani from Glencore in 2021, although it is now searching for new investors to take over the mine assets.

Agriculture – Larger Ukrainian crop

Ukraine's Grain Association revised up its 2023 grains and oilseed harvest forecast by 3.7mt to 80.5mt on better yield prospects along with favourable weather conditions. Ukraine harvested around 73.8mt of grains and oilseed in 2022. For wheat, the association now estimates the harvest to rise by 9% YoY to 22mt with potential exports of 16mt including 4.4mt of carryover stocks. Meanwhile, the corn harvest is projected to grow by 4% YoY to 28mt and roughly 22mt could be used for exports. Meanwhile, unsurprisingly there was no breakthrough in talks between Turkey and Russia to restart the Black Sea Grain deal.

Authors

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 <http://www.ing.com>.