

The Commodities Feed: Slower inventory draw for natural gas

The inventory draw from the US was on the low side, with only 2Bcf of inventory drawn last week. This compares to the historical average of around 30Bcf of draw. US natural gas demand is slow, even as the country experiences colder than usual weather.



Energy – Lower inventory draw pushes natural gas lower

Crude oil prices continue to trade soft, with ICE Brent trading at US\$72.7/bbl as of writing and NYMEX WTI trading at around US\$68.6/bbl. The Brent forward curve continues to tighten, with the Jan-Feb spread increasing to a 6-month high backwardation of US\$0.55/bbl today compared to a recent low of US\$0.18/bbl on 11 November. The market expects the crude oil market balance to ease further over the coming months as OPEC+ delays output hike plans.

Weekly data from the Energy Information Administration (EIA) shows that crude oil inventory in the US dropped by 1.8m barrels last week, a larger draw than market expectations of around 0.5m barrels and mainly due to lower imports. Crude oil imports fell by 1.6m bbls/d last week to 6.1m bbls/d as imports from Latin America softened. Exports strengthened by 0.3m bbls/d to 4.7m

bbls/d.

For refined products, gasoline inventory increased by 3.3m barrels to 212.2m barrels while distillate inventory increased by 0.4m barrels to 114.8m barrels on higher refinery output. Refinery utilization increased 0.3% to 90.5% over the last week. Refinery utilization in the US over the past few weeks remains high when compared to seasonal averages.

US Henry Hub prices dropped by around 7% yesterday to settle at US\$3.2/MMBtu with prices again softening this morning as inventory draw slowed. Weekly data from the EIA shows that natural gas inventory dropped by just 2Bcf last week, compared to the preceding week's 3Bcf draw and a 5-year average draw of around 30Bcf at this time of year. Natural gas demand has been slow to pick up even as the US experiences colder than usual weather.

Metals – LME zinc cancelled warrants continue to surge

LME zinc cancelled warrants increased by another 49kt yesterday to surge to around 107kt, their highest level since October 2017. The majority of the cancellations came from Singapore warehouses, hinting at strong demand for physical metals in the Asian market. Cancelled warrants now account for around 41% of the inventory in LME warehouses. Higher demand in the physical market could also be seen in the forward curve, where spot prices trade at a premium of US\$5.2/t compared to the 3-month contract. This is still not as tight as in October, when the premium hit a high of US\$58/t.

Gold prices continue to trade flat after the rout on Monday as the market assesses the positives and negatives. On the positive side, the US Fed is likely to continue with rate cuts at its next meeting, with the CME's Fed watch tool currently hinting at a 68% probability of 25bp cuts. This was at around 56% a week ago. Even after the Israel-Hezbollah deal, a fair amount of uncertainty remains in the Middle East and Europe, which could keep safe-haven buying supportive for gold in the medium term. On the other hand, inflation numbers were on the higher side yesterday with the US Personal Consumption Expenditure (PCE) index increasing to 2.8% YoY (+0.3% MoM) from 2.7% a month ago. A sticky inflation number could weaken the case for further rate cuts.

Agriculture – UNICA reports lower cane crush

The latest fortnightly report from UNICA shows that sugar cane crushing in Centre-South Brazil has decreased by 52.8% YoY to 16.5mt in the first half of November. Seasonal mill closures at about three times usual levels in November restricted harvesting pace. The cumulative sugar cane crush for the season is down 2.2% YoY to 582.6mt. Sugar production fell by 59.2% YoY to 898kt over the first half of November. Around 43% of cane was allocated to sugar production, lower than the 50% allocation in the same period last year. Cumulative sugar production so far this season stands at 38.3mt, down 3% YoY.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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.