

The Commodites Feed: Markets await the Fed

Your daily roundup of commodity news and ING views



Gold ETF holdings continue to grow (mOz)



Source: Bloomberg, ING Research

Energy

US oil inventories: The API reported yesterday that crude oil inventories fell by 6.02MMbbls over the last week, which was significantly more than the 2.75MMbbls that the market was expecting, according to a Bloomberg survey. The API also reported larger than expected draws in both gasoline and distillate fuel oil.

The larger than expected draw has been constructive for the market, however whether the move higher in the immediate term is sustainable will be dependent on two events today. Firstly, the more widely followed EIA numbers will be released today, and so the market will be looking for confirmation of a large drawdown in US crude oil inventories. Secondly, participants will be following closely the outcome of the US Federal Reserve meeting, where it is largely expected to cut interest rates, but more importantly the market will be keen to hear any forward guidance on policy.

Libya oil disruptions: Bloomberg reports that the Sharara oilfield in Libya has suspended production due to a valve closure on a pipeline. Sharara is the largest oilfield in Libya, producing around 300Mbbls/d, and the field has seen a number of disruptions recently, with the most recent just earlier this month. There is little information on how long the closure could last. Libya, along with Iran and Venezuela, is exempt from the OPEC+ production cuts, and despite the growing tension in the country over recent months, the nation has produced consistently above 1MMbbls/d since March.

Metals

Lead plant restart: Nyrstar has announced that it has restarted the blast furnace at its Port-Pirie lead smelter in Australia. The plant has been shut for two months, after an unplanned outage in late May, which resulted in a production loss of around 30kt. Meanwhile, LME warehouses saw an inflow of 11,850 tonnes of lead yesterday, taking total LME lead stocks to a one-month high of 67,325 tonnes, although total LME lead inventories are still down significantly from the 107kt held at the start of the year. The plant restart and inventory inflows have pushed the LME lead forward curve back into contango, with the LME lead cash/3M spread widening to a US\$9.75/t contango, compared to a backwardation of US\$10.5/t on 25 July.

Gold ETF holdings: There is no let-up in gold demand from investors, even as they await the outcome of today's Fed meeting and any comments on forward-guidance. Total known ETF holdings in gold have increased by around 200kOz over the past week, with total ETF holdings rising to a fresh six-year high of 75.56mOz as of 30 July. The Fed is widely expected to cut rates by 25bp at today's meeting, and then the market will be focused on what the Fed signals in terms of further cuts moving forward.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	64.72	1.59	20.30	Spot Gold (US\$/oz)	1,430.9	0.29	11.57
NYMEX WTI (US\$/bbl)	58.05	2.07	27.84	Spot Silver (US\$/oz)	16.6	0.67	6.93
ICE Gasoil (US\$/t)	592	0.94	15.96	LME Copper (US\$/t)	5,948	-1.16	-0.28
NYMEX HO (Usc/g)	194	1.75	15.66	LME Aluminium (US\$/t)	1,803	-0.44	-2.33
Eurobob (US\$/t)	634	0.11	32.19	LME Zinc (US\$/t)	2,460	-0.36	-0.28
NYMEX RBOB (Usc/g)	190	1.80	43.30	LME Nickel (US\$/t)	14,360	0.07	34.33
NYMEX NG (US\$/mmbtu)	2.14	-0.19	-27.31	CBOT Corn (Usc/bu)	411	-1.38	9.67
TTF Natural Gas (EUR/MWh)	9.79	-0.20	-55.46	CBOT Wheat (Usc/bu)	497	-1.24	-1.19
API2 Coal (US\$/t)	64	0.16	-24.62	CBOT Soybeans (Usc/bu)	879	-0.79	-0.42
Newcastle Coal (US\$/t)	72	-1.70	-28.90	ICE No.11 Sugar (Usc/lb)	12.15	0.66	1.00
SGX TSI Coking Coal (US\$/t)	156	-4.32	-26.33	ICE Arabica (Usc/lb)	100	-1.63	-2.31
SGX Iron Ore 62% (US\$/t)	117.13	2.61	68.61	ICE London Cocoa (GBP/t)	1,847	0.33	4.59

Source: Bloomberg, ING Research

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