

The Commodities daily: China steel productions grows

Your daily roundup of commodity news and ING views



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Energy

EIA shale report: The EIA released its monthly drilling productivity report yesterday, which estimates shale oil production will increase from 8.50MMbbls/d in July 2019 to 8.55MMbbls/d in August 2019. Meanwhile, the number of Drilled-but-Uncompleted (DUC) wells dropped by 41 in June, the fourth consecutive fall in DUCs as producers completed more wells than drilled. Oil & gas producers in the US completed 1,383 wells and drilled 1,342 wells during the month. The Permian region (mostly oil production) saw a further build-up in DUC inventories while the Anadarko, Niobrara and Appalachia regions (largely gas production) saw more completions than drilled.

The API is slated to release its weekly inventory numbers later today, and market expectations are that oil inventories dropped by another 2.5MMbbls last week, according to a Bloomberg survey, mainly due to production disruption from tropical storm Barry. BSEE reports that 69% of the output in the Gulf of Mexico remains shut as of Monday, compared to 73% on Sunday as some producers restarted operations. On products, expectations are that gasoline inventories dropped by 2.5MMbbls while distillate inventories increased by 1MMbbls.

Metals

China metals production: Chinese steel production increased 10% year-on-year to 87.53mt in June 2019 (record high of 2.92mt/day) as local steel mills increased utilisation rates on the hopes of better demand in coming months if Beijing comes out with further stimulus to support the economy. Meanwhile, mills are also acting on a bit of 'front-running' ahead of capacity cuts required by authorities later this year.

The economic data coming out of China was a mixed bag with industrial output, retail sales and fixed asset investment showing improvement in June 2019 while the GDP growth slowed down further from 6.4% in 1Q19 to 6.2% in 2Q19. China's aluminium output also increased 1.3% YoY to 2.97mt in June 2019 with year-to-date output up 2.2% YoY to 17.4mt, according to the China National Bureau of Statistics.

Zinc deficit narrows: Data from ILZSG (International Lead and Zinc Study Group) shows that the zinc market was in deficit of 123kt over the first five months of 2019 against a supply shortfall of 103kt during the same period last year. Global zinc supply dropped by around 1% YoY to 5.39mt during Jan-May 2019 while demand was relatively steady, falling only 0.6% YoY. Expectations are for a better supply side situation in 2H19 as the Chinese market returns to surplus. The deficit in lead widened to 42kt over the first five months of 2019 compared to a deficit of 34kt during the same period last year.

Agriculture

USDA crop progress: The current crop in the US continues to be in a somewhat concerning state after the delayed planting and warmer than usual weather. The weekly crop progress report from the USDA shows that only 58% of the current corn crop was in good-to-excellent condition against the 57% last week and 72% a year ago. Similarly, for soybean, only 54% of the crop was in the G/E condition compared to 69% last year. Rain and cooler weather following tropical storm Barry may help the crop condition to improve this week; however, NOAA predicts warmer-than-usual weather in its 6-10 day outlook (21-25 July 2019) across the country, which could again hamper crop progress towards the end of the month.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	66.48	-0.36	23.57	Spot Gold (US\$/oz)	1,414.1	-0.11	10.26
NYMEX WTI (US\$/bbl)	59.58	-1.05	31.20	Spot Silver (US\$/oz)	15.4	1.08	-0.72
ICE Gasoil (US\$/t)	601	-0.74	17.57	LME Copper (US\$/t)	5,983	0.81	0.30
NYMEX HO (USc/g)	195	-1.44	16.11	LME Aluminium (US\$/t)	1,842	1.10	-0.22
Eurobob (US\$/t)	646	-0.90	34.67	LME Zinc (US\$/t)	2,444	0.25	-0.93
NYMEX RBOB (USc/g)	193	-2.36	45.83	LME Nickel (US\$/t)	13,665	1.45	27.83
NYMEX NG (US\$/mmbtu)	2.41	-1.83	-18.10				
TTF Natural Gas (EUR/MWh)	12.89	-2.90	-41.35	CBOT Corn (USc/bu)	441	-1.89	17.60
				CBOT Wheat (USc/bu)	508	-5.31	0.89
API2 Coal (US\$/t)	61	-0.57	-29.30	CBOT Soybeans (USc/bu)	902	-0.55	2.18
Newcastle Coal (US\$/t)	75	-1.06	-26.33	ICE No.11 Sugar (USc/lb)	12.06	-1.95	0.25
SGX TSI Coking Coal (US\$/t)	182	-0.10	-14.22	ICE Arabica (USc/lb)	109	3.42	6.82
SGX Iron Ore 62% (US\$/t)	116.45	2.10	67.63	ICE London Cocoa (GBP/t)	1,720	-3.21	-2.60

Source: Bloomberg, ING

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