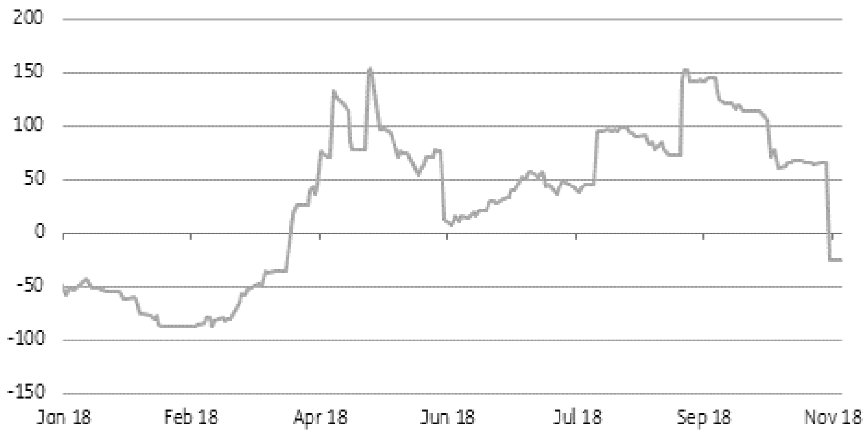
The Commodities Feed

Your daily roundup of commodities news and ING views

Source: Shutterstock

Australian alumina premium over Chinese alumina (US$/t)



Source: Bloomberg, ING Research

Energy

US oil production: In its latest Short Term Energy Outlook, the EIA revised higher its US crude oil production estimates. For 2018, they now estimate output at 10.9MMbbls/d, up from their previous estimate of 10.7MMbbls/d, and 1.5MMbbls/d higher than 2017 levels. For 2019, they increased their output forecast from 11.8MMbbls/d to 12.1MMbbls/d. Meanwhile, the API released weekly inventory data yesterday showing that US crude oil inventories increased by 7.83MMbbls over the last week, significantly higher than the 2MMbbls the market was expecting. If the EIA confirms a build today, it will be the seventh consecutive weekly build.

US sanction waivers: Further details have emerged surrounding the volumes of Iranian oil that buyers will be allowed to purchase following US waivers. On Monday the US gave waivers to China, India, Italy, Greece, Japan, South Korea, Taiwan and Turkey. Bloomberg reports that China, India and South Korea received waivers for 360Mbbls/d, 300Mbbls/d and 200Mbbls/d, respectively.

Metals

Alumina prices fall: Alumina FOB Australia prices fell from US$506/t at the end of October to US$422/t currently, which has pushed down the price ratio of alumina to LME aluminium to 22% compared to 25%+ a week ago, and a peak of 30%+ in September 2018. Lower alumina prices will be welcomed by smelters although the price ratio is still fairly high historically. Meanwhile in China, Shanxi alumina prices were relatively steady at CNY3,095/t (US$447/t), meaning the arbitrage window for Chinese alumina exports is now closed.

Iron ore quality premiums: Robust Chinese iron ore demand and concerns over Australian supply following a train derailment have seen 62% iron ore rising to US$75/t; although it has edged slightly lower recently. The quality premium for 66% iron ore fines over the benchmark (62% fines iron ore) has narrowed from US$35/t in early August to US$24/t currently, with winter cuts not as severe as initially feared. Weaker domestic steel margins in recent weeks have probably done little to support the quality premium.

Agriculture

WASDE report: Tomorrow the USDA will release its latest WASDE report, and general expectations are that the agency will make slight revisions lower in yields for both corn and soybeans following heavy rains. In its last WASDE, USDA production estimates for corn and soybeans stood at 14.78b bushels and 4.69b bushels, respectively. Expectations are for a slight decline in US corn ending stocks, and a slight increase in US soybean ending stocks. Looking at global ending stocks, little change is expected in tomorrow's report.

UK sugar output: The sole beet sugar producer in the UK, AB Sugar, estimates that sugar production in the country will fall to 1.05mt in the current 2018/19 season from 1.37mt last season. The company says the reduction this season is a result of late drillings and a dry summer. Looking forward, AB Sugar believes that 2019 beet plantings will be lower given that they have agreed a lower beet price with farmers. As a result, sugar production in 2019/20 will likely be lower. This is a trend that we expect to see across the EU.

Author

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.

 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.