

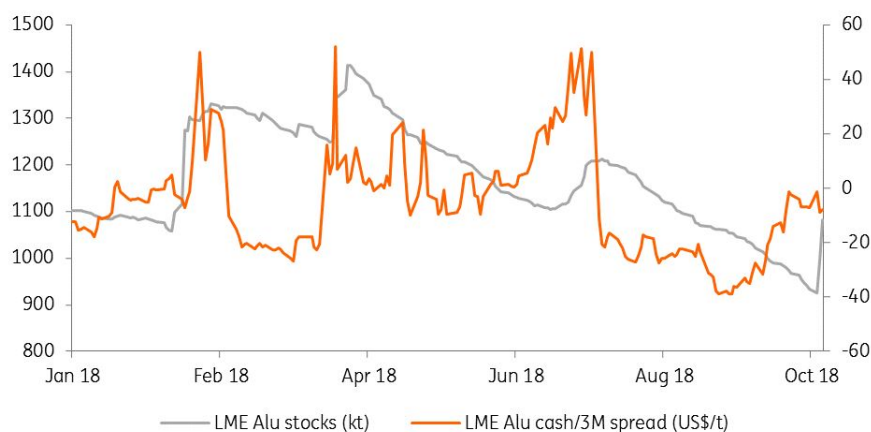
The Commodities Feed

Your daily roundup of commodities news and ING views



Source: Shutterstock

Chart of the day: LME Aluminium inventories vs. cash/3M spread



Energy

US crude oil inventories: The EIA surprised the market yesterday, reporting that US crude oil inventories increased by 6.49MMbbls over the last week, much higher than the 2.5MMbbls build the

market was expecting. The larger than expected build was driven predominantly by lower crude oil exports, which fell by 794Mbbbls/d over the week, with flows likely impacted by hurricane activity last week. Meanwhile, crude oil production in the Lower 48 fell by 300Mbbbls/d, also reflecting disruptions due to Hurricane Michael.

WTI spreads continue to weaken: WTI nearby time spreads continue to weaken, and yesterday's EIA report certainly did not help, with Cushing stocks increasing by 1.78MMbbls. The WTI Dec/Jan spread has fallen from a backwardation of \$0.31/bbl in mid-September to a discount of \$0.05/bbl, and this move does correspond fairly well with the large inventory builds that we have seen in the US since mid-September. The recent builds we have seen in the US have also weighed on the WTI-Brent spread, with the discount widening to more than \$10/bbl yesterday.

Metals

Gold ETF holdings keep growing: Investors continued to add to their ETF holdings in gold, with total holdings increasing by 839kOz to total 67.9mOz. Gold has reappeared as a safe haven asset, with stock market jitters, trade tensions and political worries concerning investors. The FOMC meeting minutes may weigh slightly on gold in the immediate term, with the minutes showing general agreement for further rate rises moving ahead.

LME aluminium stocks: Aluminium inventories in LME warehouses have bounced back above 1mt, with 156.5kt of the metal added over the last two days, all of it into Asian warehouses. Over the previous three instances of inventory increases this year, the LME cash/3M spread did see wild swings, however up until now, the spread has been fairly flat.

Agriculture

German sugar production estimates fall: German industry body WVZ now expects that German sugar production over the 2018/19 season will fall to 4.41mt, down from their previous estimate of 4.47mt. This is also quite a bit lower than the EU Commission estimate of 5.16mt produced over the 2017/18 season. Concerns over the EU crop as a whole, due to dry and hot weather conditions over the summer, have been supportive for the white sugar market, with the March whites premium trading at around \$75/t.

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.

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.