

# The Commodities Feed

Your daily roundup of commodities news and ING views



Source: Shutterstock

## Western Canada Select differential to WTI (US\$/bbl)



Source: Bloomberg, ING Research

## Energy

**US crude oil inventories:** The API is scheduled to release its latest US inventory numbers later today, and the market is expecting that crude oil inventories increased by around 3.5MMbbls, according to a Bloomberg survey. While on the refined products side, expectations are for gasoline and distillate fuel oil draws of around 500Mbbbls and 2.5MMbbls, respectively. Moving forward

though, we do expect to see a seasonal pick-up in refinery run rates, as refineries return from maintenance.

**Canadian oil production cuts:** Given the pressure that Western Canada Select (WCS) differentials are under due to pipeline constraints, the Premier of Alberta is looking for solutions to support WCS prices. The market has traded as much as a US\$50/bbl discount to WTI in October, although is currently trading at a US\$39/bbl discount. The long-term solution for the industry is to increase takeaway capacity from the region, be it pipelines or refineries. However, the only short-term solution for the market would likely be mandated production cuts- something that the premier has not ruled out.

## Metals

**Chinese steel margins:** Despite the recent uptick in Chinese steel margins- having increased from CNY103/t last week to CNY188/t currently, the trend over the last couple of months has clearly been downwards, with margins as high as CNY596/t at the start of 4Q18. A strengthening in iron ore prices has certainly not helped margins, whilst record steel output ahead of winter cuts would have also weighed on mill profitability. Looking ahead, how margins evolve will depend on the severity of winter cuts, along with how demand performs given current trade tensions.

**Potential Sibanye labour strike:** The Association of Mineworkers and Construction Union (AMCU) continues to demand a better wage offer from Sibanye Gold, and plans to start a strike from 21 November. Earlier, Sibanye Gold successfully negotiated a three-year wage deal with three other mining unions, with the same offer being extended to AMCU. AMCU represents nearly 43% of the workforce at Sibanye Gold.

## Agriculture

**US grain export inspections:** Latest data from the USDA shows that 797kt of corn was inspected over the last week for export, this compares to 1.16mt in the previous week. Cumulative corn inspections so far in the current marketing year stand at 11.94mt, up 80% year-on-year. Meanwhile, soybean export inspections over the week came in at 1.06mt, compared to 1.36mt in the previous week. There was a further 140kt of soybeans inspected for export to Argentina over the week

**Indian sugar output:** The first production data out of India for the 2018/19 has been released, and the numbers show that production between the 1 October and 15 November totalled 1.16mt, lower than the 1.37mt produced over the same period last season. However, the lower number is driven by a late start to crushing in the state of Uttar Pradesh. There are growing concerns that the Indian crop this season may not be as large as initially expected due to an infestation of pests and below normal rainfall during the monsoon season in some parts.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	66.79	0.04	-0.12	Comex Silver (US\$/oz)	14.4	0.15	-15.99
NYMEX WTI (US\$/bbl)	56.76	0.53	-6.06	LME Copper (US\$/t)	6,259	0.87	-13.63
ICE Gasoil (US\$/t)	631	-0.43	5.04	LME Aluminium (US\$/t)	1,934	-0.31	-14.73
NYMEX HO (Usc/g)	209	0.61	0.53	LME Zinc (US\$/t)	2,600	-0.23	-21.66
Eurobob (US\$/t)	578	-0.04	-2.87	LME Nickel (US\$/t)	11,180	-1.58	-12.38
NYMEX RBOB (Usc/g)	158	0.37	-12.02				
NYMEX NG (US\$/mmbtu)	4.70	10.02	59.16	CBOT Corn (Usc/bu)	362	-0.69	3.28
				CBOT Wheat (Usc/bu)	499	-1.63	16.74
API2 Coal (US\$/t)	84	-1.23	-3.54	CBOT Soybeans (Usc/bu)	874	-2.07	-8.20
NYMEX Coking Coal (US\$/t)	221	0.00	-8.77	ICE No.11 Sugar (Usc/lb)	12.80	0.87	-15.57
				ICE Arabica (Usc/lb)	112	-0.22	-10.97
				ICE London Cocoa (GBP/t)	1,597	-0.75	15.89

Source: Bloomberg, ING Research

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