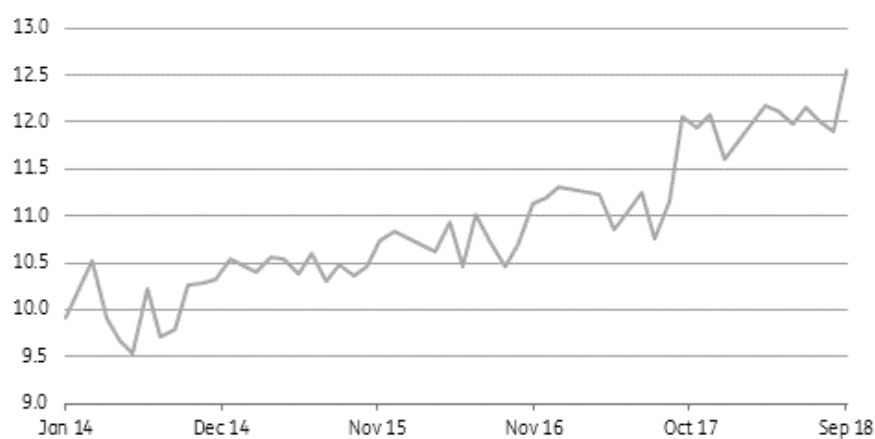


## The Commodities Feed

The oil price retreat and the rest of the commodity market news this Wednesday



### China crude oil processing (MMbbls/d)



Source: Bloomberg, ING Research

### Energy

Oil prices retreat: Amid the sell-off in equity markets, ICE Brent fell more than 4% yesterday – ICE

Brent is now down 11.5% from its recent peak. Meanwhile, comments from Saudi Arabia's energy minister saying that OPEC is in "produce as much as you can mode" certainly did not help sentiment. Adding to the bearish tone, the API reported that the US crude oil inventories increased by 9.88MMbbls last week, much higher than market expectations of c.3MMbbls stock build. The EIA is scheduled to release its weekly report later today.

China's monthly oil data: China's crude oil imports were largely flat at 9.09MMbbls/d in September 2018. Meanwhile domestic crude oil output continued to decline and fell from 3.78MMbbls/d in Aug to 3.71MMbbls/d in September. On the refinery side, throughput increased 5.4% MoM to a record high of 12.54MMbbls/d as teapot refineries increased their operating rates once again. Net fuel exports were down 56% MoM to 1.15mt, with both gasoline and diesel exports falling.

## Metals

LME aluminium spreads: The LME aluminium cash/3M spread widened from US\$1.5/t contango last week to US\$18.5/t contango, with recent warehouse arrivals weighing on the spread. Other factors which have likely not helped sentiment, is strong Chinese output, Alunorte returning operating rates at its alumina refinery to 50%, and continued Rusal deadline extensions. Earlier in the week, IAI data showed that global aluminium output increased 2.5% YoY to 5.30mt with Chinese aluminium output up 3.6% YoY to 3.01mt. Despite these factors, we do remain constructive on aluminium prices, with the ex-China balance set to see yet another large deficit in 2019, whilst the alumina market is expected to remain tight.

Precious metals continue to strengthen: Prevailing risk-averse sentiment in financial markets and geopolitical concerns around the US/Saudi Arabia relations has increased safe haven demand for gold with COMEX gold rising 1% yesterday to a 3-month high of US\$1,233.4/oz. However, it has been Palladium which has outperformed relative to the complex, with the metal trading to an all time high of US\$1,151.06/oz yesterday. The gold/palladium ratio continues to edge closer towards 1 from over 1.45 in April, with a constructive demand story for the metal.

## Agriculture

Russian grain export estimates: Russia's agriculture minister Dmitry Patrushev says that the country can export 38-39mt of grains in 2018/19 with total output of around 109mt. That compares with the ministry's earlier estimates of 35-37mt of exports. There has been plenty of uncertainty around Russian wheat exports this season, with several reports suggesting that the government may take action to limit exports. However, as of yet, the government has denied any action will be taken. The agriculture minister is set to meet wheat exporters this Friday, according to Bloomberg, and so the market will be eagerly awaiting the outcome of this meeting.

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