The Commodities Feed

Your daily roundup of commodities news and ING views

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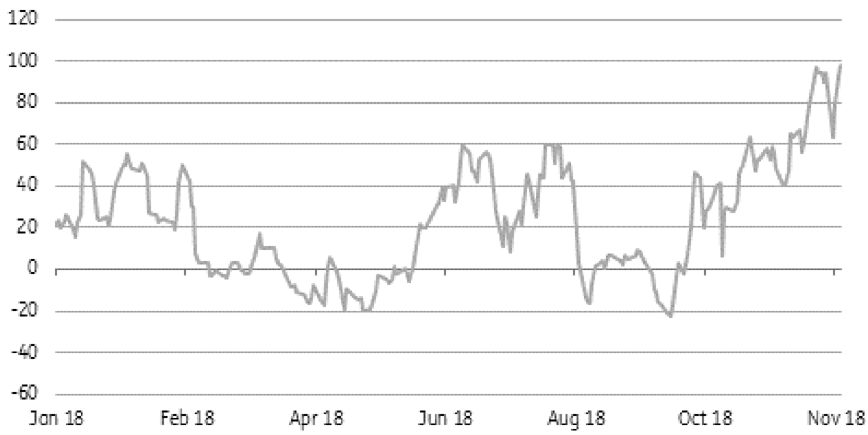
LME zinc cash/3M spread continues to strengthen (US$/t)



Source: Bloomberg, ING Research

Energy

OPEC+ cuts looking more likely: It appears that Russia has come around to the idea that further oil production cuts moving into 2019 are needed, with Reuters reporting that the Russian energy minister held a meeting with domestic oil producers this week ahead of the OPEC+ meeting in Vienna next week. Reportedly, the takeaway was that they accepted cuts needed to be made. However, there is still no clarity on how much and for how long they would be willing to reduce output. The G-20 summit gets underway in Argentina today, so expect further noise over the next couple days related to potential production cuts.

Refined product inventories: The latest data from PJK International shows that refined product stocks in the ARA region decreased by 118kt over the week to total 4.83mt. The draws were driven by the bottom and the middle of the barrel products, with gasoil inventories falling by 63kt week on week, and fuel oil inventories declining by 133kt. Meanwhile, naphtha and gasoline inventories increased by 56kt and 11kt respectively. This is generally a trend that we are seeing globally, where there is a glut of gasoline, whilst middle distillates and the fuel oil market is getting increasingly tight.

Metals

Zinc spread strength: After softening earlier in the week, the LME zinc cash/3M spread traded out to a US$98/t backwardation, the highest levels seen in more than a decade, as the physical market continues to tighten. LME zinc inventories fell by another 2.35kt this week, taking total stocks to a decade low of 119.2kt – another 32.1kt of inventory is earmarked for withdrawal, which makes deliverable stocks even tighter. Stocks in China also continue to fall, with SHFE inventories standing at 35.5kt on 22 November, compared to 159kt in March.

Chinese PMI data: The latest PMI data out of China this morning was fairly negative, with the country's manufacturing PMI slowing from 50.2 in October to 50 in November. This was lower than the 50.2 the market was expecting and puts factory activity in China on the cusp of contraction. Meanwhile, new orders slowed from 50.8 to 50.4, and export orders still remain weak at 47. The base metals complex has not really reacted to these poorer numbers so far during morning trading, with the recent USD weakness appearing to provide support. Expect further noise around China and US trade talks over the next couple of days, with the G-20 summit getting underway today.

Agriculture

Argentina crop progress: The latest data from the Buenos Aires Grain Exchange shows that Argentinian farmers have harvested 32% of the 2018/19 wheat crop, and the exchange forecasts that total production this season will total 19.2mt, up from 17.8mt in the previous season. Meanwhile, farmers have completed almost 41% of soybean area, and area this season is expected to total 17.9m hectares, up 1% YoY. As for corn, farmers have completed just over 38% of plantings for the 2018/19 season, and area is expected to total 5.8m hectares, up from 5.5m hectares last season.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**59.51**	1.28	-11.01
NYMEX WTI (US$/bbl)	**51.45**	2.31	-14.85
ICE Gasoil (US$/t)	**560**	-1.10	-6.75
NYMEX HO (Usc/g)	**184**	0.28	-11.17
Eurobob (US$/t)	**557**	0.13	-6.47
NYMEX RBOB (Usc/g)	**145**	4.06	-19.15
NYMEX NG (US$/mmbtu)	**4.65**	-1.46	57.33
API2 Coal (US$/t)	**86**	1.23	-1.60
NYMEX Coking Coal (US$/t)	**221**	0.00	-8.77

	Current	% DoD ch	%YTD ch
Comex Silver (US$/oz)	**14.3**	-0.36	-16.75
LME Copper (US$/t)	**6,212**	0.19	-14.28
LME Aluminium (US$/t)	**1,940**	0.41	-14.46
LME Zinc (US$/t)	**2,470**	0.73	-25.58
LME Nickel (US$/t)	**11,055**	2.36	-13.36
CBOT Corn (Usc/bu)	**360**	-0.07	2.71
CBOT Wheat (Usc/bu)	**497**	-0.20	16.28
CBOT Soybeans (Usc/bu)	**887**	-0.36	-6.78
ICE No.11 Sugar (Usc/lb)	**12.87**	0.23	-15.11
ICE Arabica (USc/lb)	**109**	-1.45	-14.03
ICE London Cocoa (GBP/t)	**1,569**	0.84	13.86

Source: Bloomberg, ING Research

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