

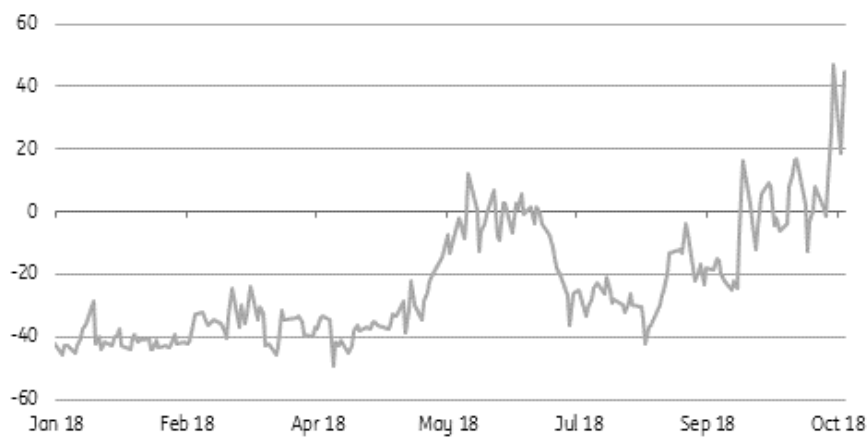
# The Commodities Feed

Your daily roundup of commodities news and ING views



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## LME Copper cash/3M spread (US\$/t)



Source: Bloomberg, ING Research

## Energy

**US crude oil inventories:** Yesterday the API reported that US crude oil inventories increased by

5.69MMbbls over the last week, compared to expectations of a 3.2MMbbls build. If the EIA today also report a build over the week, it would be the sixth consecutive weekly build. Total US crude oil inventories have already increased by 28.65MMbbls since mid-September, taking inventories back above the five-year average. Meanwhile, the API also reported that crude oil inventories in Cushing increased by 1.4MMbbls over the week, doing little to support WTI time spreads.

**EIA monthly production data:** The EIA is also set to release its US monthly production data today, which will be for the month of August. Looking at EIA weekly production estimates over the month, output is estimated to have averaged around 10.94MMbbls/d, which is in fact lower than the 10.96MMbbls/d that the EIA reported for July. However given that the weekly numbers are estimates, monthly numbers have seen fairly big differences in the past. There is the potential that we see US crude oil production over the month average more than 11MMbbls/d for the first time.

## Metals

**LME copper inventories continue to fall:** LME copper inventories fell by 3,875 tonnes yesterday, taking stocks to a decade low of 139.25kt. 63.15kt has been withdrawn from LME warehouses since the end of September with another 76.73kt earmarked for withdrawal. Similarly, COMEX copper stocks have fallen by 15.7kt since the end of September, leaving them at a one year low of 158kt. These draws have supported spreads, with the LME cash/3M spread trading at a US\$40/t backwardation. However the flat price continues to be influenced by broader macro concerns, and today's manufacturing PMI number out of China for October will do little to help, with the PMI falling to 50.2, the lowest level since July 2016.

**China steel scrap:** With environmental curbs tightening, demand for steel scrap has been increasing in China, and as a result so have steel scrap prices. While domestic HRC steel prices have trended down from a peak of CNY4,400/t in August to CNY4,185/t currently, scrap prices in Tangshan have increased from c.CNY2,670/t to CNY2,820/t over the same time period. Import restrictions on scrap imports have also tightened scrap supplies. The scrap-to-steel price ratio in the country has increased to near a three year high of 67%.

## Agriculture

**Indian sugar production estimates:** The Indian Sugar Mills Association (ISMA) earlier this week revised lower its sugar production estimate for the 2018/19 season as a result of weather and an infestation of grub. ISMA is now forecasting that output will total 31.5mt over the season, down from their previous estimate of 35mt, and lower than the 32.5mt produced in the 2017/18 season. While this revision is constructive for prices, the country will still have a large domestic surplus, with consumption estimated at around 26mt.

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