

The Commodities Feed

Your daily roundup of commodities news and ING views



Source: Shutterstock

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LME copper inventories fell by 3,875 tonnes yesterday, taking stocks to a decade low of 139.25kt. 63.15kt has been withdrawn from LME warehouses since the end of September with another 76.73kt earmarked for withdrawal.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.

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.