

The Commodities Feed: An elusive deal needed

Your daily roundup of commodity news and ING views



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Energy

Broader markets came under pressure once again in early morning trading on Monday, with the US senate failing to agree on a financial aid package. Meanwhile fears over Covid-19 continue to grow, with further countries announcing stricter travel restrictions in recent days. Oil has obviously been unable to escape this pressure, with it pretty clear the impact stricter travel restrictions will have on global oil demand. What is less clear though is how much of a contraction we could see in oil demand, given the pace at which things are evolving.

There has been increasing noise or more likely hope that we could see some sort of deal between oil producers to bring an end to the selloff. However this seems to have been squashed by reports that Russian President Vladimir Putin would not give in to what he sees as blackmail from the Saudis in the ongoing price war. Meanwhile regulators in Texas have even called on the state to implement production caps for producers, an idea supported by a handful of producers in the state. This will not be an easy decision to make, and would likely also be dependent on a revival of the OPEC+ deal. However given the continued pressure on demand, it does appear that any action taken by OPEC+, along with even potential US supply limits, would not be enough to bring the

market to balance. Instead it would only reduce the scale of the surplus over 2Q20, potentially providing a floor for the market rather than significant upside. However for now, and with any deal some distance away, we continue to believe that there is further downside to oil prices as we move into 2Q20.

Finally, latest Commitment of Traders data shows that speculators reduced their net long in ICE Brent by 74,850 lots over the last reporting week to leave them with a net long of just 78,505 lots as of last Tuesday - levels last seen in 2014. The current net long is likely to be somewhat smaller than this though, given the selloff we have seen in the market since last Tuesday.

Metals

An increasing number of miners have announced temporary suspensions, as well as stricter precautionary measures amid the Covid-19 outbreak. This has begun to have an impact on supply expectations, even before they start to materialise. Copper is at the forefront, where Chile and Peru dominate mine supply and have announced states of emergency. The spot concentrate market has already begun to respond, with a moderate decline in treatment charges.

According to latest data from SMM, spot TCs declined to US\$68.35/tonne, a US\$3.12/t fall MoM. Another factor behind the decline in spot TCs is that smelters' demand for concentrate has recovered from last month, when China was in lockdown mode. Developments in major mining countries remains key in the coming weeks, with potential disruptions helping to offset the demand slump.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	26.98	-5.23	-59.12			Spot Gold (US\$/oz)	1,498.7	1.86	-1.23		
NYMEX WTI (US\$/bbl)	22.43	-11.06	-63.27			Spot Silver (US\$/oz)	12.6	4.12	-29.32		
ICE Gasoil (US\$/t)	301	4.60	-50.98			LME Copper (US\$/t)	4,810	-0.31	-22.09		
NYMEX HO (USc/g)	101	-3.40	-50.39			LME Aluminium (US\$/t)	1,582	-2.94	-12.60		
Eurobob (US\$/t)	270	-2.25	-53.25			LME Zinc (US\$/t)	1,848	0.05	-18.66		
NYMEX RBOB (USc/g)	61	-11.62	-64.34			LME Nickel (US\$/t)	11,225	-0.22	-19.96		
NYMEX NG (US\$/mmbtu)	1.60	-3.02	-26.72			CBOT Corn (USc/bu)	344	-0.51	-11.35		
TTF Natural Gas (EUR/MWh)	8.29	-2.94	-31.18			CBOT Wheat (USc/bu)	539	0.79	-3.49		
API2 Coal (US\$/t)	51	1.61	-7.83			CBOT Soybeans (USc/bu)	863	2.28	-8.54		
Newcastle Coal (US\$/t)	67	0.53	-3.33			ICE No.11 Sugar (USc/lb)	10.91	3.02	-18.70		
SGX TSI Coking Coal (US\$/t)	149	-2.46	5.30			ICE Arabica (USc/lb)	120	2.61	-7.71		
SGX Iron Ore 62% (US\$/t)	84.71	-3.37	-7.24			ICE London Cocoa (GBP/t)	1,832	1.05	0.71		

Source: Bloomberg, ING Research

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