

# The Commodities Feed: API reports large oil drawdown

Your daily roundup of commodity news and ING views



Source: iStock

## Alumina prices weaken



Source: Bloomberg, ING Research

## Energy

**US crude oil inventories:** The API reported yesterday that US crude oil inventories declined by 6.13MMbbls over the last week, much larger than market expectations for a draw of 2.7MMbbls according to a Bloomberg survey. This draw along with signs of constructive trade talks between China and the US has been supportive for crude oil prices, with WTI now trading back above US\$50/bbl. However the less constructive data from the API report were the refined product builds, with gasoline inventories increasing by 5.5MMbbls and distillate fuel oil stocks swelling by 10.2MMbbls. The EIA is scheduled to release their weekly report later today.

## Metals

**Alumina prices soften:** Alumina prices have weakened by around 5% since the start of the year, whilst LME aluminium has traded largely flat-to-positive. This has seen the alumina-to-aluminium price ratio drop to 21% currently compared to 22.5% at the end of 2018 and an average of 22.4% for the whole of 2018. Historically, this ratio is still high, leaving further room for further downside. Although in order to see further weakness in the alumina market, we would likely need to see the Alunorte refinery return to full operation. Meanwhile turning to aluminium, whilst US sanctions against Rusal are set to be lifted, the Democrats have raised concerns over the lifting of sanctions.

## Agriculture

**Brazil soybean crop condition:** According to Deral, Brazil's rural economy agency, the condition of the soybean crop in Parana state has deteriorated. 58% of the crop is in good condition, down from 96% back on the 10th December. Meanwhile around 12% of the crop is in bad condition compared to 0% last month. Dry weather conditions have raised concerns over the Brazilian soybean crop, and expectations are that the crop will come in below the almost 120mt produced in the 2017/18 season.

**China grains demand:** China's National Grain and Oils Information Center (CNGOIC) has revised lower its demand forecasts for corn as a result of African swine fever. The CNGOIC estimates that domestic corn consumption will total 190mt this season, 5mt lower than their previous forecast, but still higher than the 185mt consumed last season. Meanwhile the Center has revised higher soybean import demand, with China resuming purchases of US soybeans. They now expect imports to total 87mt, up 3mt from their previous forecast, but still down from 94mt imported in the previous season.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	58.72	2.42	-12.19			Comex Silver (US\$/oz)	15.7	-0.27	-8.35		
NYMEX WTI (US\$/bbl)	49.78	2.60	-17.61			LME Copper (US\$/t)	5,906	-0.29	-18.50		
ICE Gasoil (US\$/t)	547	0.60	-8.95			LME Aluminium (US\$/t)	1,865	-0.75	-17.79		
NYMEX HO (Usc/g)	183	2.73	-11.97			LME Zinc (US\$/t)	2,485	-0.52	-25.13		
Eurobob (US\$/t)	478	1.67	-19.81			LME Nickel (US\$/t)	11,180	0.22	-12.38		
NYMEX RBOB (Usc/g)	136	1.63	-24.27								
NYMEX NG (US\$/mmbtu)	2.97	0.78	0.47			CBOT Corn (Usc/bu)	380	-0.59	8.34		
						CBOT Wheat (Usc/bu)	518	0.19	21.25		
API2 Coal (US\$/t)	81	1.12	-6.97			CBOT Soybeans (Usc/bu)	906	-0.66	-4.78		
NYMEX Coking Coal (US\$/t)	197	-0.25	-18.89			ICE No.11 Sugar (Usc/lb)	12.76	0.87	-15.83		
						ICE Arabica (USc/lb)	105	2.24	-16.76		
						ICE London Cocoa (GBP/t)	1,730	-0.92	25.54		

Source: Bloomberg, ING Research

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto: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](http://www.ing.com).