

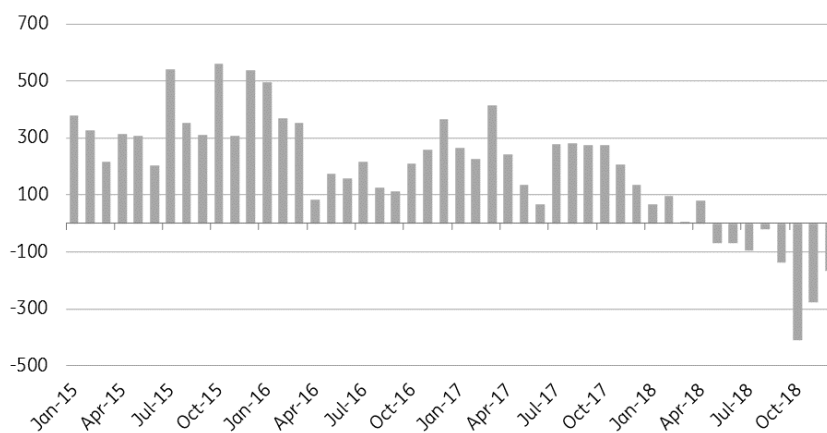
The Commodities Feed: API reports surprise crude oil build

Your daily roundup of commodity news and ING views



Source: Shutterstock

Chinese alumina net imports (kt)



Source: China Customs, Bloomberg, ING Research

Energy

US crude oil inventories: The API reported yesterday that US crude oil inventories increased by 6.55MMbbls over the last week, compared to market expectations for a draw of around 750Mbbls. Large builds were also reported in both gasoline and distillate fuel oil, with inventories increasing 3.64MMbbls and 2.57MMbbls, respectively. The crude build stands out in particular, given that the Saudis appear to have had a strategy since November to reduce flows to the US. The more widely followed EIA numbers will be released later today.

Further oil supply risk: The oil market has been under pressure in recent days, despite the growing risk around Venezuelan supply. The opposition leader in the country has declared himself the president, something that a number of countries have recognised, including the US. Any disruption in Venezuelan oil supply will be felt by the market, especially by US Gulf refiners who rely on this heavier crude oil. This potential risk highlights an issue that refiners are already facing, and that is the trend of processing lighter crude oil, given that this is where the bulk of oil supply growth has come from, whilst we have seen disruptions/cuts in heavier grades. This can have an impact on refinery yields and is a factor that is only likely to become more pressing when IMO regulations come into force in 2020, which is expected to lead to a significant increase in demand for middle distillates.

Metals

Chinese alumina trade: Chinese customs data shows that alumina exports from the country fell from 286kt in November to 177kt in December 2018. In fact, full year 2018 net exports totalled 992kt, compared to net imports of around 2.8mt in 2017. Higher prices in the world market, as a result of several disruptions, have supported this switch from net importer to net exporter. Assuming the Alunorte refinery returns to full operations in the coming months, this could put some downward pressure on Chinese flows moving forward.

Aluminium cancelled warrants: Cancelled warrants of LME aluminium stocks have jumped by 49% over the last two days to 398kt, with the bulk of the cancellations occurring in Asia. The increase in cancellations has been fairly supportive for the flat price, with LME aluminium trading above US\$1,900/t at one stage yesterday, although it has since fallen back below.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|----------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 61.14 | -0.59 | 13.64 | Comex Silver (US\$/oz) | 15.4 | 0.36 | -1.03 |
| NYMEX WTI (US\$/bbl) | 52.62 | 0.10 | 15.88 | LME Copper (US\$/t) | 5,952 | 0.28 | -0.23 |
| ICE Gasoil (US\$/t) | 568 | 0.49 | 11.21 | LME Aluminium (US\$/t) | 1,909 | 1.38 | 3.41 |
| NYMEX HO (Usc/g) | 189 | -0.66 | 12.36 | LME Zinc (US\$/t) | 2,620 | 1.71 | 6.20 |
| Eurobob (US\$/t) | 488 | -0.22 | 1.72 | LME Nickel (US\$/t) | 11,700 | 0.99 | 9.45 |
| NYMEX RBOB (Usc/g) | 139 | -1.13 | 4.68 | | | | |
| NYMEX NG (US\$/mmbtu) | 2.98 | -1.97 | 1.36 | CBOT Corn (Usc/bu) | 379 | -0.07 | 1.00 |
| | | | | CBOT Wheat (Usc/bu) | 526 | 0.91 | 4.52 |
| API2 Coal (US\$/t) | 85 | 0.12 | -1.97 | CBOT Soybeans (Usc/bu) | 915 | 0.63 | 3.68 |
| NYMEX Coking Coal (US\$/t) | 195 | 0.00 | -14.44 | ICE No.11 Sugar (Usc/lb) | 12.97 | 0.31 | 7.81 |
| | | | | ICE Arabica (USc/lb) | 103 | 0.05 | 1.52 |
| | | | | ICE London Cocoa (GBP/t) | 1,623 | -0.61 | -8.10 |

Source: Bloomberg, ING Research

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