The Commodities Feed: Chinese aluminium exports set to fall?

Your daily roundup of commodity news and ING views

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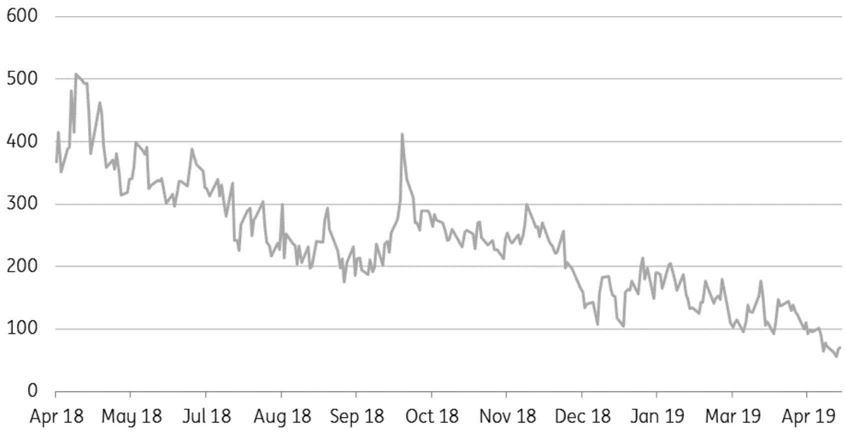
Chinese semi-fabricated aluminium export arb continues to narrow (US$/t)



Source: Bloomberg, ING Research

Energy

EIA weekly report: The EIA reported yesterday that US crude oil inventories increased by 5.48MMbbls over the last week- significantly more than the 1MMbbls that the market was expecting, but below the 6.86MMbbls build that the API reported the previous day. The increase in inventories was driven by stronger crude oil imports over the week, which increased by 1.16MMbbls/d to average 7.15MMbbbls/d over the week. Imports from Saudi Arabia increased by 384Mbbls/d week-on-week, whilst Iraq and Venezuela also saw increases. US crude oil inventories now total almost 461MMbbls- levels last seen in October 2017. Crude oil builds in the US over recent weeks have put renewed pressure once again on the WTI-Brent spread, with it edging back towards a US$9/bbl discount.

Moving onto products, and the fundamental picture for gasoline remains constructive, with the EI reporting that gasoline inventories fell by 2.13MMbbls over the last week- this is the 10th consecutive weekly drawdown in gasoline inventories, and total gasoline inventories are now some distance below the five-year average. These draws have been bullish for the RBOB gasoline crack, which has rallied strongly since late January. However moving forward, we do expect that refinery utilisation rates will pick up, and this should reverse the trend of drawdowns, at least until the driving season gets underway at the end of May. Already over the last week, refinery utilisation increased by 2.4 percentage points to 90.1%- the highest rate seen since late January.

Metals

Chinese aluminium semi exports: The Chinese domestic aluminium market continues to strengthen, having rallied almost 3.5% since the start of April, whilst over the same time period the LME is down around 2%. This has weighed heavily on the semis export arb over the month, and as a result it would not be too surprising if, moving forward, Chinese semi exports start to come under pressure. If this turns out to be the case, it would be a change in the recent trend we have seen, where China has exported record volumes of semi-fabricated aluminium to the world market. Lower export volumes from China should eventually offer some support to LME prices.

Agriculture

Wheat under pressure: CBOT Wheat came under further pressure yesterday, with the Jul'19 contract falling below $4.40/bu. This followed news from Canada that farmers in the country will increase the planted wheat area by 3.6% from last year to total 25.67m acres. While the US/China trade war has put all the attention on US soybeans, there is an ongoing trade spat between Canada and China over Canola, and as a result we are seeing farmers switching acreage from canola to wheat. Canola area is estimated to fall by 6.6% to 21.3m acres, whilst soybean area is estimated at 5.65m acres- down 10.7% YoY.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**74.57**	0.08	38.61
NYMEX WTI (US$/bbl)	**65.89**	-0.62	45.10
ICE Gasoil (US$/t)	**644**	-0.62	26.14
NYMEX HO (Usc/g)	**210**	-0.91	24.86
Eurobob (US$/t)	**685**	-0.08	42.90
NYMEX RBOB (Usc/g)	**213**	-0.15	60.80
NYMEX NG (US$/mmbtu)	**2.46**	0.29	-16.26
API2 Coal (US$/t)	**63**	-3.95	-26.57
NYMEX Coking Coal (US$/t)	**204**	-0.12	-10.15

	Current	% DoD ch	%YTD ch
Comex Silver (US$/oz)	**14.9**	0.85	-4.02
LME Copper (US$/t)	**6,448**	0.64	8.10
LME Aluminium (US$/t)	**1,872**	0.32	1.41
LME Zinc (US$/t)	**2,742**	-0.22	11.15
LME Nickel (US$/t)	**12,407**	0.13	16.06
CBOT Corn (Usc/bu)	**347**	-1.28	-7.53
CBOT Wheat (Usc/bu)	**432**	-1.48	-14.11
CBOT Soybeans (Usc/bu)	**855**	-0.78	-3.09
ICE No.11 Sugar (Usc/lb)	**12.68**	-0.16	5.40
ICE Arabica (USc/lb)	**90**	-1.15	-11.19
ICE London Cocoa (GBP/t)	**1,829**	-0.92	3.57

Source: Bloomberg, ING Research

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