

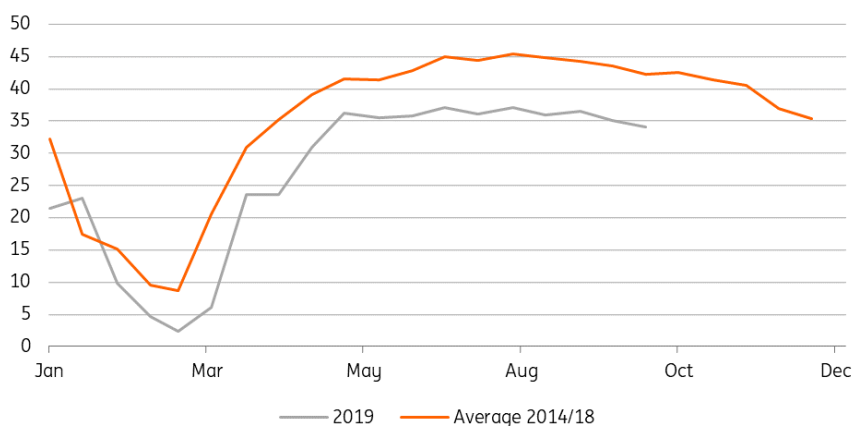
The Commodities Feed: Gold ETF demand robust

Your daily roundup of commodity news and ING views



Source: Shutterstock

Brazil sugar cane allocation for sugar production (%)



Source: Bloomberg, ING

Energy

US oil inventory: The EIA stats on Wednesday showed that the US oil inventory increased by 2.9MMbbls last week, lower than the 4.1MMbbls of stock-build that the API reported but more than the 1.9MMbbls the market was expecting, according to a Bloomberg survey. This could mainly be attributable to lower refinery throughput which fell by 361Mbbls/d WoW to a two year low of 15.66MMbbls/d due to the turnaround of refineries ahead of winter demand. Meanwhile, the lower refinery runs have led to a sharp drawdown in stocks of refined products with distillates inventories falling 3.9MMbbls and gasoline stocks down 1.2MMbbls.

Oil supply: Ecuador's Petroecuador declared a 'force majeure' on oil exports yesterday after local protests resulted in the closure of oil fields. Ecuador exported around 315Mbbls/d of crude oil in September 2019 (and an average of 392Mbbls/d for the year-till-date) with nearly half of it going to the US West Coast. Lack of oil supplies from Ecuador could create some shortages at the West Coast in the short term. Conversely, Shell lifted 'force majeure' on its Bonny Light exports from Nigeria, which has been in place since 13 September, and would bring back around 150Mbbls/d of oil supplies to the global market.

Metals

Metals drifting on trade talk headlines: Base metals were broadly in a waiting mode and traded in a narrow range on Wednesday, searching for clear signals from the 13th bout of China-US trade talks. LME copper stood out and closed higher ahead of any outcome from the talks as the market was buoyed by optimism after China hinted it could increase soybean purchases from the US. Nickel's stocks continued a downward trend and dropped by another 8.9kt yesterday to 108.6kt, marking the lowest level since 2012.

Since Indonesia announced an ore export ban from the beginning of next year, which would cause a void in nickel's supply and demand balance, the rationale seems to be that industrial players want to keep a step ahead to secure stocks in hand and away from the LME market. We think the chance of a major stock reversal is small. However, in the current market where both China physical premium (Jinchuan Ni) and import premium (BoL, CIF Shanghai) remain in discount, together with other factors, this would potentially encourage some nickel coming out and could hit LME stocks in the near-term market.

Gold ETF investment: Demand for safe-haven gold continues to be strong due to the fair amount of uncertainty over the US-China trade talks, increasing possibilities of another Fed rate cut and the geopolitical tensions in the Middle East including the recent clashes between Turkey and Syria. Gold ETF investments increased by 0.2mOz yesterday, the seventeenth consecutive day of increases in gold ETF holdings with total known ETF holdings of gold increasing to 81.8mOz as on 9 October 2019. Gold prices have recovered to above US\$1,500/oz as speculators have been possibly returning to the metal after sharply reducing their net longs during the last week of September.

Agriculture

Brazil sugar: The bi-weekly report from UNICA shows that sugar production in the Center-South region of Brazil increased 39.2% YoY to 1.8mt in 2nd half of September on the back of healthy cane crushing (+26% YoY to 35.1mt) and higher cane allocation for sugar (34.1% vs 33% last year for this point in season). However, cane allocation for sugar production is significantly down compared to 35.1% in the first half of September and a 5-yr average of 42.3% for this stage of the season.

Sugar mills in the country continued to allocate more cane for ethanol production due to better economics. Sugar prices have recovered by around 15-20% since mid-September and this might help sugar-cane allocation for sugar production to improve over the coming weeks.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	58.32	0.14	8.40	Spot Gold (US\$/oz)	1,505.6	0.00	17.39
NYMEX WTI (US\$/bbl)	52.59	-0.08	15.81	Spot Silver (US\$/oz)	17.7	0.01	14.45
ICE Gasoil (US\$/t)	591	2.16	15.76	LME Copper (US\$/t)	5,684	0.15	-4.71
NYMEX HO (Usc/g)	192	0.48	14.19	LME Aluminium (US\$/t)	1,744	-0.43	-5.53
Eurobob (US\$/t)	558	-0.76	16.39	LME Zinc (US\$/t)	2,291	-0.30	-7.13
NYMEX RBOB (Usc/g)	159	0.39	19.90	LME Nickel (US\$/t)	17,360	-1.20	62.39
NYMEX NG (US\$/mmbtu)	2.23	-2.36	-24.01	CBOT Corn (Usc/bu)	394	-0.38	5.13
TTF Natural Gas (EUR/MWh)	15.57	-0.43	-29.16	CBOT Wheat (Usc/bu)	500	0.00	-0.60
API2 Coal (US\$/t)	65	0.23	-22.96	CBOT Soybeans (Usc/bu)	924	0.35	4.67
Newcastle Coal (US\$/t)	70	-1.07	-31.36	ICE No.11 Sugar (Usc/lb)	12.41	-0.40	3.16
SGX TSI Coking Coal (US\$/t)	159	3.34	-25.00	ICE Arabica (Usc/lb)	95	-0.26	-6.28
SGX Iron Ore 62% (US\$/t)	86.20	-3.89	24.08	ICE London Cocoa (GBP/t)	1,916	-1.14	8.49

Source: Bloomberg, ING

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