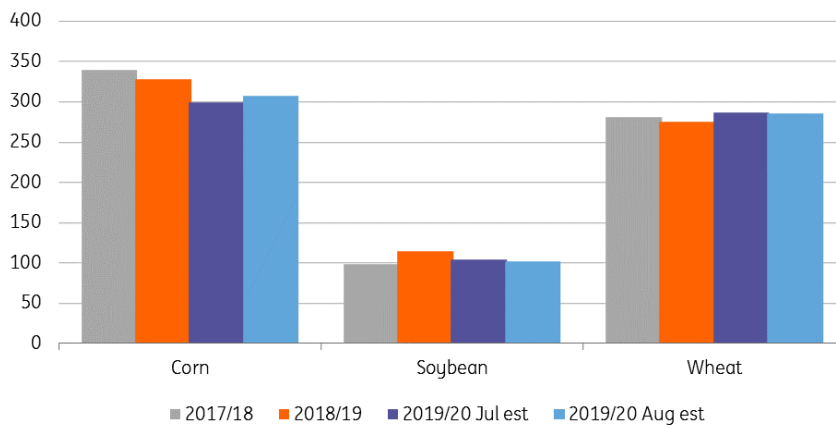


# The Commodities Feed: Bearish WASDE surprises grain market

Your daily roundup of commodity news and ING views



## Global grain ending stocks (m tonnes)



Source: USDA, ING Research

## Energy

**US drilling and inventories:** The EIA released its latest drilling productivity report yesterday, in which they estimate that US shale production will increase by 85Mbbbls/d MoM to average 8.77MMbbbls/d in September. The increase is expected to be driven by the Permian, where output is estimated to increase 75Mbbbls/d MoM. Although in Eagle Ford production is estimated to fall 6Mbbbls/d MoM. Meanwhile, the number of drilled but uncompleted wells (DUCs) continues to trend lower, falling by 100 over the month to total 8,108 at the end of July. This is now the fifth consecutive month that we have seen a decline in DUC inventory, as drilling activity has slowed.

Turning to oil inventories, the API is scheduled to release its weekly inventory report later today, and market expectations are that US crude oil inventories declined by 2.29MMbbbls over the week. Although the narrowing in the WTI/Brent could mean another week of low exports, much like EIA data showed last week.

## Metals

**Chinese aluminium:** Some aluminium smelting plants in Shandong province in China were reported to be facing shipment and other operational issues due to floods in the region. China Hongqiao Group, the 2nd largest aluminium smelter in the country said that the floods have had a 'very small' impact on operations until now, and some of the electrolysis units were closed as a precaution. SHFE aluminium prices have strengthened by around 2% in the morning session on supply risks over the coming days. Earlier, exchange data showed that aluminium inventory at SHFE warehouses fell to a two-year low of 391.5kt as on 9 August, with around 281kt of stocks being withdrawn since the end of 2018.

**Indonesian Nickel:** The uncertainty over the Indonesian nickel ore export ban increased further this week after the country's Coordinating Minister for Maritime Affairs said that there is no problem in expediting the ban on ore export. Nickel prices have rallied around 35% since bottoming in June on fears that Indonesia might bring forward the export ban to 2020/2021, rather than the planned 2022 deadline. Indonesia is a major supplier of nickel ore and NPI for Chinese consumers and any restrictions are likely to tighten the nickel market.

## Agriculture

**WASDE report:** The latest WASDE report was a surprise for the market, being much more bearish than the market was expecting. The USDA increased its US corn output estimate for 2019/20 from a July estimate of 13,875m bushels to 13,901m bushels. This was much higher than market expectations of around 13,146m bushels. While the USDA lowered its corn acreage estimate, this decline was offset by an increase in their yield estimates. The USDA estimates corn acreage at 90m acres, well above market expectations of around 87.7m acres. For soybean, acreage was revised down from 80m acres to 76.3m acres whilst yields were left unchanged at 48.5bu/acre, resulting in production being revised down from 3,845m bushels to 3,680m bushels- the market was expecting a soybean crop estimate of around 3,786m bushels.

Globally, the USDA increased its estimate for corn ending stocks from 298.9mt to 307.7mt on softer demand, and better supply from Ukraine- the market was expecting global stocks of around 292mt, according to a Bloomberg survey, which was on the back of expectations of a revision lower in US output. On the other hand, the USDA revised lower soybean and wheat ending stocks estimates from 104.5mt to 101.7mt and 286.5mt to 285.4mt respectively.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	<b>58.57</b>	0.07	8.87	Spot Gold (US\$/oz)	<b>1,511.2</b>	0.95	17.83
NYMEX WTI (US\$/bbl)	<b>54.93</b>	0.79	20.96	Spot Silver (US\$/oz)	<b>17.1</b>	0.51	10.14
ICE Gasoil (US\$/t)	<b>556</b>	0.00	8.76	LME Copper (US\$/t)	<b>5,742</b>	-0.23	-3.74
NYMEX HO (Usc/g)	<b>181</b>	-0.12	7.44	LME Aluminium (US\$/t)	<b>1,770</b>	-0.06	-4.12
Eurobob (US\$/t)	<b>592</b>	0.32	23.44	LME Zinc (US\$/t)	<b>2,278</b>	1.97	-7.66
NYMEX RBOB (Usc/g)	<b>167</b>	-0.53	25.80	LME Nickel (US\$/t)	<b>15,710</b>	1.03	46.96
NYMEX NG (US\$/mmbtu)	<b>2.11</b>	-0.66	-28.40				
TTF Natural Gas (EUR/MWh)	<b>11.42</b>	-5.02	-48.05	CBOT Corn (Usc/bu)	<b>385</b>	-6.09	2.73
				CBOT Wheat (Usc/bu)	<b>472</b>	-5.56	-6.26
API2 Coal (US\$/t)	<b>61</b>	-0.16	-27.69	CBOT Soybeans (Usc/bu)	<b>862</b>	-1.40	-2.38
Newcastle Coal (US\$/t)	<b>70</b>	-0.29	-31.36	ICE No.11 Sugar (Usc/lb)	<b>11.56</b>	-2.53	-3.91
SGX TSI Coking Coal (US\$/t)	<b>158</b>	0.00	-25.60	ICE Arabica (Usc/lb)	<b>94</b>	-3.65	-7.95
SGX Iron Ore 62% (US\$/t)	<b>88.13</b>	-1.07	26.86	ICE London Cocoa (GBP/t)	<b>1,719</b>	-0.41	-2.66

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 <http://www.ing.com>.