

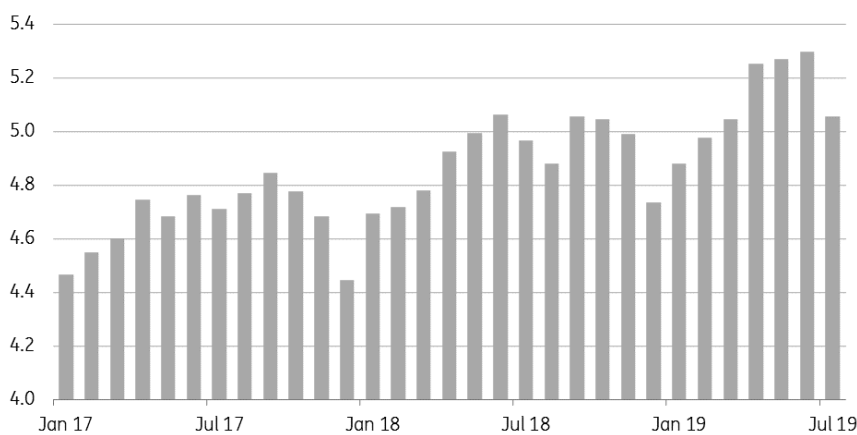
The Commodities Feed: Big oil draw and global steel production drops

Your daily roundup of commodity news and ING views



Source: Shutterstock

Global crude steel output (mt/day)



Source: WSA, ING Research

Energy

Big oil draws: The oil market got a boost late yesterday, and this strength has continued this Wednesday morning with ICE Brent trading back above US\$60/bbl at time of writing. The catalyst for the move was the API reporting that US crude oil inventories fell by 11.1MMbbls over the last week- if matched by the EIA today, that would be the largest stock drawdown since June. The decline was much larger than the 2.85MMbbls draw that the market was expecting. The API also reported that stocks in Cushing fell by 2.37MMbbls. These large draws have seen the WTI/Brent discount narrow, after having come under some pressure following China's announcement that it would impose a 5% tariff on US crude oil.

Refined product inventories also surprised. Expectations were for small builds in both gasoline and distillate fuel oil, however they saw drawdowns of 349Mbbbls and 2.5MMbbls respectively.

Metals

Global steel output: Data from the World Steel Association shows that global steel production dropped 4.7% MoM to 5.05mt/day (total 156.7mt) in July, as higher raw material prices, lower profitability and demand concerns impacted operating rates of steel mills. China's steel production fell 5.8% MoM to 2.75mt/day (total 85.2mt), while for the rest of the world, output dropped 2.9% MoM to 2.31mt/day. Iron ore prices have softened over the past few weeks, which will be welcome news for mills. However, demand-side concerns remain due to the escalation of the trade war, which could keep pressure on operating rates for the remainder of the year.

Japan aluminium premium: Negotiations for the quarterly premium for aluminium supplies to Japan over 4Q19 have started, and initial quotes suggest a premium of around US\$110/t, a marginal 2% gain over the 3Q19 premium. If finalised around this level, it would be third consecutive increase in physical premiums. On the other hand, spot premiums in the Japanese market softened from US\$98/t at the end of 2Q19 to US\$87/t currently, suggesting sufficient availability in the physical market. Higher premiums for 4Q19 possibly reflects the risk of lower supply due to uncertainty over the Chinese winter capacity cuts.

Agriculture

Sugar & the BRL: No 11 sugar prices fell to a YTD low of US¢11.24/lb, as a result of weakness in the Brazilian Real. The BRL has declined by almost 12% since mid-July against the USD. There are media reports that the Indian government is considering a further sugar package, which would likely see an extension to export subsidies. The country is forecast to be sitting on more than 14mt of sugar at the end of September 2019, which is equivalent to more than 50% of annual consumption. While the global sugar market is set to return to deficit in the 2019/20 season, the threat of large volumes of Indian sugar exports is likely to cap prices.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	59.51	1.38	10.61	Spot Gold (US\$/oz)	1,542.8	1.01	20.30
NYMEX WTI (US\$/bbl)	54.93	2.40	20.96	Spot Silver (US\$/oz)	18.2	3.03	17.46
ICE Gasoil (US\$/t)	554	-0.81	8.37	LME Copper (US\$/t)	5,683	N/A	-4.73
NYMEX HO (Usc/g)	182	1.31	8.04	LME Aluminium (US\$/t)	1,761	N/A	-4.60
Eurobob (US\$/t)	592	0.42	23.51	LME Zinc (US\$/t)	2,275	N/A	-7.78
NYMEX RBOB (Usc/g)	165	2.07	24.64	LME Nickel (US\$/t)	15,700	N/A	46.87
NYMEX NG (US\$/mmbtu)	2.20	-1.26	-25.10				
TTF Natural Gas (EUR/MWh)	10.07	-2.36	-54.19	CBOT Corn (Usc/bu)	357	-0.42	-4.80
				CBOT Wheat (Usc/bu)	474	0.16	-5.86
API2 Coal (US\$/t)	58	-2.43	-31.29	CBOT Soybeans (Usc/bu)	846	-0.88	-4.11
Newcastle Coal (US\$/t)	64	-0.78	-36.88	ICE No.11 Sugar (Usc/lb)	11.24	-1.66	-6.57
SGX TSI Coking Coal (US\$/t)	152	0.57	-28.37	ICE Arabica (Usc/lb)	94	-0.37	-7.90
SGX Iron Ore 62% (US\$/t)	80.90	-3.31	16.45	ICE London Cocoa (GBP/t)	1,644	N/A	-6.91

Source: Bloomberg, ING Research

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