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COMMODITIES DAILY

The Commodities Feed: Brent struggles at \$70

Your daily roundup of commodity news and ING views



Source: iStock

Energy

ICE Brent failed to break above US\$70/bbl yesterday, with the market appearing hesitant as demand risks continue to linger. Worries over Indian oil demand are coinciding with OPEC+ gradually starting to bring supply back onto the market, along with growing Iranian supply. While right now it appears as though the market should be able to absorb this additional supply, the risk is that the demand picture deteriorates further, which would lead to a looser market balance.

Saudi Arabia released its official selling prices (OSP) for June loadings, and given growing OPEC+ supply and demand concerns, the OSP for Arab Light into Asia was cut by US\$0.10/bbl to US\$1.70/bbl over the benchmark. It was a similar story for other grades into the region, which all saw reductions. Looking at other regions, Aramco cut OSPs for all grades into Europe, while the US was the only region which saw increases across the board.

Finally, the EIA yesterday reported that US crude oil inventories declined by 7.99MMbbls over the last reporting week, which was significantly more than the roughly 2MMbbls draw the market was expecting. This large draw was driven by a number of factors, including an

increase in refinery utilization, with rates now at their highest level since March last year. In addition, crude oil exports increased by 1.58MMbbls/d over the week, leaving them to average 4.12MMbbls/d- only the fourth time on record that crude oil exports have exceeded 4MMbbls/d. Meanwhile, crude oil imports declined by 1.17MMbbls/d over the week. Despite the increased refinery activity, gasoline stocks saw a marginal increase of 737Mbbls, whilst distillate fuel oil stocks declined by 2.9MMbbls. Overall, the release was fairly constructive, despite the weaker price action following the release.

Metals

The base metals complex extended its rally during London trading yesterday, although a number of metals settled lower presumably due to some profit-taking before Chinese traders return to the market from Thursday. The broader rally has not received particular help from the USD, but instead from rising inflation expectations.

According to the latest data from the Peruvian Mining Ministry, copper mine production rose 3.2% YoY to 183kt during 1Q21, with March production increasing by 6.5% MoM. Zinc mine production in March remained above the historical monthly average level, offsetting some of the losses from severe disruptions last year. March production increased by 26% YoY, bringing total 1Q21 production to 390kt (11.1% YoY). It is worth noting that the major disruptions last year occurred during the second quarter due to the pandemic. We will likely see much higher year-on-year growth from April production numbers as a result of the base effect.

Agriculture

The latest trade data from the European Commission shows that wheat exports from the EU continue to be soft, mainly due to weaker shipments from France. The EU exported around 224kt of common wheat over the last reported week, compared to around 488kt exported at the same stage last year. Cumulatively, the EU has exported 22.1mt of common wheat since the season started on 1 July 2020 compared to exports of around 30mt at the same stage last year. Wheat exports from France dwindled to just 29kt last week (the lowest weekly export this season) compared to 203kt a year ago, while YTD exports are down 40% YoY to total 6.4mt.

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