

The Commodities Feed: Canada extends oil cuts

Your daily roundup of commodity news and ING views



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West Canada Select/WTI differential (US\$/bbl)



Source: Bloomberg, ING Research

Energy

Canadian cuts extended: Alberta in Canada has decided to extend its current production cuts

through until the end of 2020. These cuts were originally meant to come to an end on 31 December 2019. The Alberta government expects production to exceed takeaway capacity by around 150Mbbls/d, due to delays in pipelines. With the extension, the base limit increases from 10Mbbls/d to 20Mbbls/d, meaning that producers' first 20Mbbls/d of production will be exempt from cuts- helping out smaller producers. This change will come into effect on 1 October 2019, which is also when the overall production limit is lifted to 3.79MMbbls/d. This compares to 3.76MMbbls/d for September, and 3.56MMbbls/d back in January 2019.

Mandatory production cuts have had their desired effect, with the West Canada Select discount to WTI Cushing narrowing from US\$50/bbl in October 2018 to around US\$13/bbl currently. Continued cuts should continue to offer support to this differential.

US crude oil inventories: Oil prices are stronger this morning, with ICE Brent trading further above US\$60/bbl. This follows the API reporting yesterday that US crude oil inventories declined by 3.45MMbbls, compared to market expectations for a draw of 1.5MMbbls. The API also reported that inventories in Cushing fell by 2.8MMbbls over the week, which again should be supportive for the WTI/Brent spread. The EIA is scheduled to release its more widely followed weekly report later today.

Metals

Aluminium output: Data from the IAI shows that global aluminium output dropped 0.8% month-on-month (down 1.3% year-on-year) to 174.4kt/day (total of 5.4mt) in July, while year-to-date output is down 0.4% YoY to total 37.1mt over the first seven months of 2019. Lower prices and subdued demand have weighed on aluminium output. The supply outlook for the remainder of the year is even weaker due to multiple supply disruptions in China. There have been market rumours that a smelter in China could announce a capacity suspension of around 600kt pa, which follows the 500kt pa capacity cuts by Xinfu Group due to an incident. Curtailed operating rates in Shandong province over the past few weeks due to floods have only added to disruptions.

Copper market balance: Data from ICSG shows that the global copper market was in a deficit of 62kt in May, which saw the YTD deficit increasing to 190kt. Global refined copper demand was soft, falling 0.4% YoY to 9.96mt over the first five months of 2019; however, supply was even weaker and dropped 1% YoY to 9.77mt. This was mainly due to supply disruption in South America. LME data suggests that market balance has improved over the past few months with total inventory increasing by 89kt since the start of 3Q19 and more than 200kt since mid-March. Similarly, SHFE copper stocks have also been increasing gradually since bottoming at 135kt in June 2019 and currently stand at 163kt. The LME copper cash/3M spread widened to a two-month low of a contango of US\$28.25/t, reflecting sufficient supplies in the spot market.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	60.03	0.49	11.58	Spot Gold (US\$/oz)	1,507.2	0.75	17.52
NYMEX WTI (US\$/bbl)	56.34	0.23	24.07	Spot Silver (US\$/oz)	17.2	1.69	10.76
ICE Gasoil (US\$/t)	564	0.45	10.33	LME Copper (US\$/t)	5,711	-1.09	-4.26
NYMEX HO (Usc/g)	185	1.16	10.32	LME Aluminium (US\$/t)	1,782	-0.67	-3.47
Eurobob (US\$/t)	589	-0.34	22.85	LME Zinc (US\$/t)	2,226	-1.59	-9.77
NYMEX RBOB (Usc/g)	168	1.00	27.00	LME Nickel (US\$/t)	15,860	-0.38	48.36
NYMEX NG (US\$/mmbtu)	2.22	0.36	-24.56				
TTF Natural Gas (EUR/MWh)	11.22	4.00	-48.97	CBOT Corn (Usc/bu)	360	-1.51	-4.13
				CBOT Wheat (Usc/bu)	460	-1.18	-8.59
API2 Coal (US\$/t)	57	-1.04	-33.78	CBOT Soybeans (Usc/bu)	856	0.20	-3.03
Newcastle Coal (US\$/t)	66	-0.15	-35.26	ICE No.11 Sugar (Usc/lb)	11.44	-0.26	-4.90
SGX TSI Coking Coal (US\$/t)	151	-0.90	-28.67	ICE Arabica (Usc/lb)	91	0.33	-10.21
SGX Iron Ore 62% (US\$/t)	86.43	-0.07	24.41	ICE London Cocoa (GBP/t)	1,625	-0.67	-7.98

Source: Bloomberg, ING Research

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