

Snap | 20 August 2019

COMMODITIES DAILY

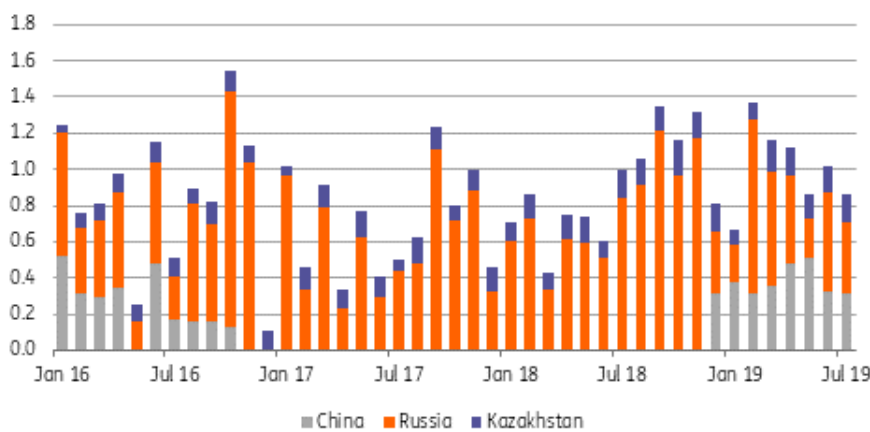
The Commodities Feed: Central bank gold purchases

Your daily roundup of commodity news and ING views



Source: shutterstock

Central bank gold purchases (moz)



Source: IMF, ING Research

Energy

US oil numbers: The API is scheduled to release its weekly inventory report later today and

market expectations are that US crude oil inventories declined by 1.4MMbbls over the last week, according to a Bloomberg survey. On the products side, a small build of 150Mbbls is expected in gasoline, while distillate fuel oil inventories are expected to decline by around 340Mbbls.

Looking at spreads, the WTI/Brent discount continued to narrow yesterday, trading to a discount of almost US\$3.60/bbl - levels last seen back in 1Q18. The Houston/Brent spread has also narrowed significantly since early July, trading from a discount of around US\$3.70/bbl in early July to a discount of just US\$1.20/bbl currently. The narrowing in this spread should result in lower crude oil export flows from the US moving forward. US export data already shows a slowdown in exports. The four-week average for the week ending 9 August was 2.6MMbbls/d, down from well over 3MMbbls/d in June and much of July.

Metals

Central Bank gold reserves: IMF data shows that central banks continued to purchase gold over the month of July even as spot gold prices made multi-year highs. Russian gold reserves increased by 0.39mOz last month, with Russian central bank gold holdings standing at 71.35mOz at the end of July. Kazakhstan gold reserves increased by 0.15mOz in July, with total reserves at 12.22mOz. Previously, the People's Bank of China reported a 0.32mOz increase in gold holdings during the month. Combined, these three countries added 0.86mOz of gold to their reserves in July (7.1mOz YTD), reflecting the continued diversification efforts by governments.

China aluminium disruptions: SHFE aluminium prices have been trading at a year-to-date high of CNY14,360/t this morning, following reports that Xinfu Group closed a 500ktpa aluminium smelting plant in Xinjiang province for at least three months due to an incident on 18 August. This latest development follows market concerns over the potential impact that floods in Shandong province could have on aluminium output.

Agriculture

US crop progress: The weekly crop progress report from the USDA was slightly at odds with the WASDE report released earlier last week. The USDA reported that the corn crop worsened last week with 56% of the crop estimated to be in good-to-excellent condition, compared to 57% in the previous week and 68% a year ago. Comparatively, the WASDE report was quite bearish with US corn production estimates being revised higher on the back of improved yield estimates. For soybean, the USDA estimated 53% of the current crop to be in good-to-excellent condition as of 18 August compared to 54% in the previous week and 65% a year ago.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	59.74	1.88	11.04	Spot Gold (US\$/oz)	1,495.9	-1.16	16.64
NYMEX WTI (US\$/bbl)	56.21	2.44	23.78	Spot Silver (US\$/oz)	16.9	-1.38	8.92
ICE Gasoil (US\$/t)	561	0.27	9.84	LME Copper (US\$/t)	5,774	0.52	-3.20
NYMEX HO (Usc/g)	183	1.12	9.06	LME Aluminium (US\$/t)	1,794	0.11	-2.82
Eurobob (US\$/t)	591	0.12	23.27	LME Zinc (US\$/t)	2,262	0.04	-8.31
NYMEX RBOB (Usc/g)	166	0.46	25.74	LME Nickel (US\$/t)	15,920	-1.73	48.92
NYMEX NG (US\$/mmbtu)	2.21	0.45	-24.83				
TTF Natural Gas (EUR/MWh)	10.79	-1.54	-50.93	CBOT Corn (Usc/bu)	365	-1.62	-2.67
				CBOT Wheat (Usc/bu)	466	-1.12	-7.50
API2 Coal (US\$/t)	58	-0.52	-32.69	CBOT Soybeans (Usc/bu)	854	-1.53	-3.23
Newcastle Coal (US\$/t)	66	0.46	-35.16	ICE No.11 Sugar (Usc/lb)	11.47	-1.46	-4.66
SGX TSI Coking Coal (US\$/t)	153	-0.66	-28.01	ICE Arabica (Usc/lb)	91	-1.83	-10.51
SGX Iron Ore 62% (US\$/t)	86.49	-0.38	24.50	ICE London Cocoa (GBP/t)	1,636	0.43	-7.36

Source: Bloomberg, ING Research

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