

The Commodities Feed: China purchases more US soybeans

Your daily roundup of commodity news and ING views



Energy

US stimulus hopes continued to offer support to the oil market yesterday, with ICE Brent settling more than 1.3% higher on the day, and just shy of US\$45/bbl. Meanwhile, rig data from Baker Hughes at the end of last week showed that the US oil rig count fell by 4 over the last week to total just 176 - down more than 74% since mid-March, and the lowest number since 2005.

There are plenty of data releases for the oil market this week. We have the usual API and EIA weekly numbers and expectations going into these releases are that US crude oil inventories declined by around 3.7MMbbls over the last week. Then later today the EIA, will release its Short Term Energy Outlook, which will include its latest US oil production forecasts for the remainder of this year and 2021. This will be followed by the OPEC monthly report on Wednesday, which will include the group's production numbers for July, as well as demand expectations. Then, finally, on Thursday, the IEA will release its monthly oil market report, and the market will be watching closely their outlook on demand and what this means for the oil balance in the months ahead, particularly given that OPEC+ are easing cuts now.

Metals

Base metals recovered some of Friday's losses yesterday, with copper leading the rally, and closing 1.4% higher on the day, whilst aluminium also inched up by 0.85%. Further outflows of on-warrant LME copper inventories saw the tom-next spread spike to a backwardation of US\$5/t, the highest since February. However, the cash/3M spread has eased off to a contango of US\$2.75/t. Turning to aluminium, and the US Midwest premium has increased by nearly 30% in the month so far to US¢13/lb, with the US announcing that it will re-impose a 10% import tariff on Canadian aluminium. The tariffs are set to come into force next week. Of the total 2.2mt of aluminium imported in the US over the first five months of 2020, Canada supplied 1.25mt of this, making up nearly 57% of total imports into the country, equivalent to nearly one-third of total US aluminium demand.

Agriculture

Ahead of trade talks between China and the US later this week to review the progress of the phase-one trade deal, China's imports of agricultural products from the US are increasing. USDA weekly data shows that corn exports increased to 1.15mt for the week ending 6 August compared to 726kt a week ago, with China at the top of the list with 264kt. Soybean export inspections also increased from 558kt to 636kt with nearly 140kt of this going to China. There were also reports yesterday that despite simmering tensions between the two countries, Chinese buyers bought at least 6 US cargoes of soybeans for shipment later in the year, and this follows reports of strong buying last week, on the back of healthy crush margins in China.

Finally, the latest crop progress report from the USDA shows that 71% of the US corn crop is in good to excellent condition, slightly down on the previous week, but still much better than the 57% seen at the same stage last year. For soybeans, 74% of the US crop is rated good to excellent, slightly up on the previous week, and significantly higher than the 54% seen at the same stage last year.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	44.99	1.33	-27.47			Spot Gold (US\$/oz)	2,027.3	-0.40	33.62		
NYMEX WTI (US\$/bbl)	41.94	1.75	-31.31			Spot Silver (US\$/oz)	29.1	2.93	63.17		
ICE Gasoil (US\$/t)	368	-0.34	-37.88			LME Copper (US\$/t)	6,397	1.40	3.60		
NYMEX HO (Usc/g)	124	1.39	-39.02			LME Aluminium (US\$/t)	1,786	0.85	-1.33		
Eurobob (US\$/t)	386	1.18	-34.64			LME Zinc (US\$/t)	2,397	-0.29	5.50		
NYMEX RBOB (Usc/g)	123	1.80	-27.59			LME Nickel (US\$/t)	14,286	-0.65	1.86		
NYMEX NG (US\$/mmbtu)	2.15	-3.80	-1.64			CBOT Corn (Usc/bu)	311	0.89	-19.92		
TTF Natural Gas (EUR/MWh)	7.59	-4.31	-37.03			CBOT Wheat (Usc/bu)	491	-0.91	-12.13		
API2 Coal (US\$/t)	52	-0.77	-11.33			CBOT Soybeans (Usc/bu)	877	0.72	-7.05		
Newcastle Coal (US\$/t)	53	-0.85	-23.61			ICE No.11 Sugar (Usc/lb)	12.55	-0.95	-6.48		
SGX TSI Coking Coal (US\$/t)	113	0.00	-20.17			ICE Arabica (Usc/lb)	113	-2.47	-13.18		
SGX Iron Ore 62% (US\$/t)	113	0.06	24.21			ICE London Cocoa (GBP/t)	1,708	0.12	-6.10		

Source: Bloomberg, ING Research

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