

# The Commodities Feed: Chinese buying

Your daily roundup of commodity news and ING views



Source: Shutterstock

## Energy

The oil market saw quite a bounce last week, with ICE Brent managing to rally a little more than 5% over the week. Oil markets were helped by reports that independent refiners in China were taking advantage of the recent sell-off, and buying cargoes. This increased buying interest has also helped to see prompt spreads strengthen, with the ICE Brent April/May spread flipping from contango to backwardation once again. The more recent strength that we have seen in the market may also make OPEC+ complacent when it comes to taking action. Already the group has failed to bring forward the meeting that was originally scheduled for early March. And if the market consolidates around current levels, OPEC+ may see little need to rush a decision.

Looking at the latest Commitment of Traders report shows that speculators over the last reporting week continued to liquidate their longs, reducing their net long by 69,284 lots, and leaving them with a net long of 283,431 lots as of last Tuesday. Given the rally in the market since last Tuesday, the current net-long is likely larger than it was as of last Tuesday.

Meanwhile, Aker BP has reported that production at the Johan Sverdrup field in Norway is approaching 400Mbbls/d. It is expected that output at the field will reach 440Mbbls/d by the summer under phase one. The second phase of the project is expected to come online in 2022, which would take production to 660Mbbls/d.

Finally, Belarus (which has bought cargoes from the Johan Sverdrup field recently) has threatened to tap the Druzhba pipeline - a transit route for Russian crude oil into Europe. This comes after a long-running price disagreement between the two countries, which has seen Russia reduce flows to Belarus. Clearly, if Belarus were to take such action, this would have an impact on oil flows into the rest of Europe.

## Metals

Metal inventories in China continue to rise in line with market expectations due to delayed restarts of downstream operations in China, along with seasonal demand slowdowns. Copper stocks on SHFE increased by 56kt (highest since last March) over the last week, taking total stocks to 263kt as of 14th February. Stocks on SHFE have increased by 107kt since the 23rd January; more than the 87kt increase seen over the same period last year. Among other base metals, aluminium and zinc weekly stocks also rose by 36kt and 24kt respectively; although the gains were almost half of what was reported in the previous week.

According to Antaika, Chinese zinc and alloy production totalled 455kt in January (+18.3%yoy), while 2019 full-year production was revised to 5.12mt (+11% YoY). Production of refined lead in January fell by 17.9% YoY to 330kt, of which secondary lead output declined by over 34% YoY. The production of secondary has remained very elastic to margins, and the production fall in January largely reflected a squeeze on producer margins. The COVID-19 outbreak from late January has caused disruption to the main secondary production regions in China, and there were also reports last week that primary producers were running at reduced rates. Therefore, it is likely that refined lead production declined over February.

Finally, after the strength seen in the market over much of the last week, iron ore futures are holding steady at just under US\$86/t. Risks to the downside remain for iron ore, with lower operating rates in China likely weighing on demand. Latest data from Steelhome shows that Chinese iron ore port inventories remained almost flat at 130.7mt as of 14th February. Net inflows in port stocks were around 3.6mt since the start of the month, similar to inflows of 3.5mt reported over the same period last year.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	57.32	1.74	-13.15			Spot Gold (US\$/oz)	1,584.1	0.51	4.40		
NYMEX WTI (US\$/bbl)	52.05	1.23	-14.76			Spot Silver (US\$/oz)	17.7	0.53	-0.62		
ICE Gasoil (US\$/t)	515	0.39	-16.21			LME Copper (US\$/t)	5,760	-0.52	-6.71		
NYMEX HO (Usc/g)	170	1.05	-16.27			LME Aluminium (US\$/t)	1,722	-1.49	-4.86		
Eurobob (US\$/t)	523	0.77	-9.37			LME Zinc (US\$/t)	2,149	-1.20	-5.41		
NYMEX RBOB (Usc/g)	158	0.20	-6.74			LME Nickel (US\$/t)	13,015	-2.03	-7.20		
NYMEX NG (US\$/mmbtu)	1.84	0.60	-16.08			CBOT Corn (Usc/bu)	378	-0.46	-2.58		
TTF Natural Gas (EUR/MWh)	8.88	-0.11	-26.32			CBOT Wheat (Usc/bu)	543	-0.28	-2.86		
API2 Coal (US\$/t)	52	1.55	-3.94			CBOT Soybeans (Usc/bu)	894	-0.28	-5.22		
Newcastle Coal (US\$/t)	70	0.14	1.88			ICE No.11 Sugar (Usc/lb)	15.06	-0.66	12.22		
SGX TSI Coking Coal (US\$/t)	160	-0.47	12.81			ICE Arabica (Usc/lb)	109	4.45	-15.88		
SGX Iron Ore 62% (US\$/t)	86.07	0.03	-5.75			ICE London Cocoa (GBP/t)	1,963	-0.56	7.92		

Source: Bloomberg, ING Research

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.