

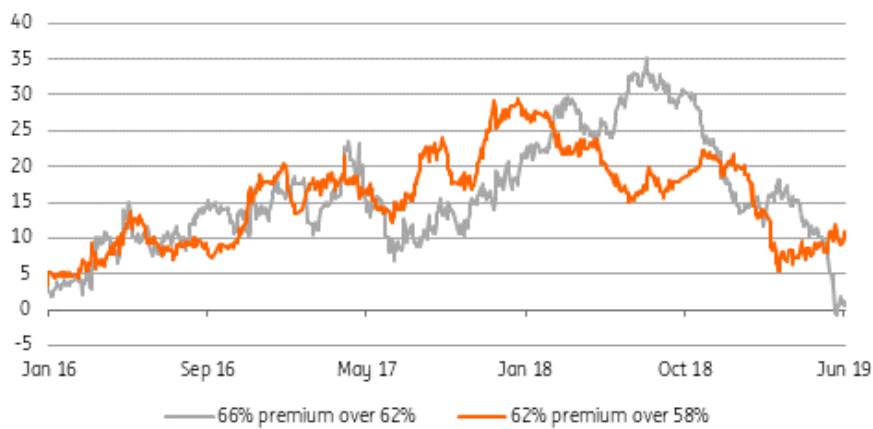
The Commodities Feed: Copper tumbles on stock inflows

Your daily roundup of commodity news and ING views



Source: Shutterstock

Iron ore quality premium (USD/dry mt)



Source: Source: CUSTEEL, ING Research

Energy

Tanker incident: Oil markets bounced higher yesterday, following reports of an incident involving two tankers in the Gulf of Oman. As of yet, it is unclear who is responsible for the attacks; though the US has pointed towards Iran. However, the incident has clearly brought Middle East tensions back to centre stage. The initial price reaction suggests that the market was not pricing in much of this risk, despite the tanker sabotage seen in the same region last month. Instead, the market has been focussed on broader macro concerns, and what this means for oil demand growth, along with US crude oil stock builds.

OPEC report: Yesterday OPEC released its monthly oil market report, where the group revised lower their demand growth forecasts for 2019 by 70MMbbls/d to 1.14MMbbls/d, with the downward revision largely reflecting sluggish OECD demand over 1Q19. OPEC did point out that the escalation in trade tensions is hurting oil demand growth. The topic of oil demand will likely get further attention today, with the IEA scheduled to release its monthly oil market report, and the market will be watching closely to see if the IEA makes any further revisions lower in its demand growth forecast for 2019, which they are currently estimating at 1.3MMbbls/d. Moving away from demand, and looking at supply, yesterday's OPEC report also showed that OPEC production over the month of May fell by 236MMbbls/d to 29.88MMbbls/d. Iran saw the largest decline, with output falling by 227MMbbls/d to 2.37MMbbls/d, reflecting the impact of sanctions. Meanwhile, Saudi production fell by 76MMbbls/d MoM to average 9.69MMbbls/d- highlighting the Kingdom's determination to try bringing the global market back to balance.

Metals

Iron ore quality premium: The premium for 66% iron ore over 62% iron ore has dropped to US\$0.5/t currently compared to an average of US\$5.3/t in May 2019 and US\$14/t at the start of the year. At the same time, the premium of 62% IO over 58% IO increased from US\$5/t in Feb 2019 to US\$11/t currently. The supply losses from Brazil and Australia created shortages of 62% grade while Chinese steel mills kept demand steady for the standard 62% ore on healthy steel margins and capacity restarts after winter cuts. However, the steel margins are softening again which shall bring focus on optimization of raw material cost and we believe that current quality spreads are likely to help demand switch towards 66% and 58% ore in 2H19.

Copper inventory: LME copper inventory saw an inflow of 37.7kt yesterday (+23.4kt in Asia and +15kt in Europe) with total stocks increasing to 249kt, the levels not seen since September 2018. LME copper inventory has more than doubled since making the bottom of 112kt in March 2019 with on-warrant inventory increasing from bottoms of just 22kt in late Feb to 228kt currently. Higher LME stocks have been keeping the LME forward curve well into Contango with Cash/3M spread currently at around negative US\$28/t. Meanwhile, workers at 320kt pa Chuquicamata mine prepares for a strike this week which could increase supply risks; though, higher LME stocks would be helpful in filling any supply gap in the short-term.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	61.31	2.23	13.96	Spot Gold (US\$/oz)	1,342.3	0.65	4.66
NYMEX WTI (US\$/bbl)	52.28	2.23	15.13	Spot Silver (US\$/oz)	14.9	0.87	-3.79
ICE Gasoil (US\$/t)	558	-0.22	9.25	LME Copper (US\$/t)	5,858	0.10	-1.79
NYMEX HO (Usc/g)	181	1.50	7.48	LME Aluminium (US\$/t)	1,787	-0.17	-3.20
Eurobob (US\$/t)	595	0.93	24.11	LME Zinc (US\$/t)	2,477	-1.28	0.41
NYMEX RBOB (Usc/g)	172	2.00	29.93	LME Nickel (US\$/t)	11,836	-0.04	10.72
NYMEX NG (US\$/mmbtu)	2.33	-2.56	-20.92				
TTF Natural Gas (EUR/MWh)	11.40	2.27	-48.16	CBOT Corn (Usc/bu)	442	2.79	17.87
				CBOT Wheat (Usc/bu)	536	1.76	6.41
API2 Coal (US\$/t)	52	-0.29	-39.17	CBOT Soybeans (Usc/bu)	888	1.14	0.62
Newcastle Coal (US\$/t)	72	-0.55	-28.75	ICE No.11 Sugar (Usc/lb)	12.75	1.03	5.99
SGX TSI Coking Coal (US\$/t)	194	0.00	-8.49	ICE Arabica (Usc/lb)	97	-1.72	-4.42
SGX Iron Ore 62% (US\$/t)	106.38	4.00	53.13	ICE London Cocoa (GBP/t)	1,836	-0.92	3.96

Source: Source: Bloomberg, ING Research

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