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COMMODITIES DAILY

The Commodities Feed: Covid fears

Your daily roundup of commodity news and ING views

Corona virus and oil rig

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Energy

A macro-driven sell-off in the broader market saw oil prices taking a plunge yesterday, with ICE Brent settling at a loss of around 6.8% for the day. Risk-averse sentiment saw the US Dollar index rising to a 3-month high which also weighed on the commodity complex including crude oil. Rising cases of the delta variant of the coronavirus in some Asian and European countries and possibilities of travel restrictions have increased crude oil demand uncertainty to some extent. However, the crude oil physical market has been tight over recent months, with the ongoing economic recovery likely to remain supportive for oil demand over the second half of the year. The output increments from the OPEC+ will help ease the supply tightness somewhat for the rest of the year but may not be sufficient to fill the entire supply gap, according to the IEA estimates released earlier in the month.

Metals

A sharp rise in Covid-19 cases weighed heavily on market sentiment. With the trade-weighted dollar index moving higher across 93, the highest since early April, this saw sell-offs across the metals complex and these downward moves may be exacerbated in a thin market. In addition to virus fears, China's state planner NDRC once again reiterated on Monday that they will be releasing further metal stocks including copper, aluminium and zinc,lifting supply and leaving the market to contemplate on how much stock could come to the market over the remainder of the year. As for copper, LME stocks continuing rising, to 226kt, a three-month high, implying no shortage of short term supply as the front end of the forward curve now remains in steep contango. On the mine supply side, Ivanhoe reported its Kamoa-Kakula mine has started to ship copper blister, further easing supply tightness.

Lastly, the latest data from International Lead and Zinc Study Group (ILZSG) shows that the global zinc market remained in a supply surplus of 40kt from January to May 2021, below the surplus of 335kt during the same period last year. Total refined production rose by 4.6% YoY to 5.8mt whilst total consumption increased 10.6% YoY to 5.7mt in the first five months of the year. As for Lead, total production rose 10.5% YoY to 5.1mt while consumption increased by 11.6% YoY to 5mt. The lead market saw a surplus of 50kt in the first five months, compared to a surplus of 88kt over the same periodl ast year.

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