

Snap | 20 July 2021

COMMODITIES DAILY

# The Commodities Feed: Covid fears

Your daily roundup of commodity news and ING views



Corona virus and oil rig

Source: Shutterstock

## 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 Kamo-a-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 period last year.

### Author

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@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 [www.ing.com](http://www.ing.com).