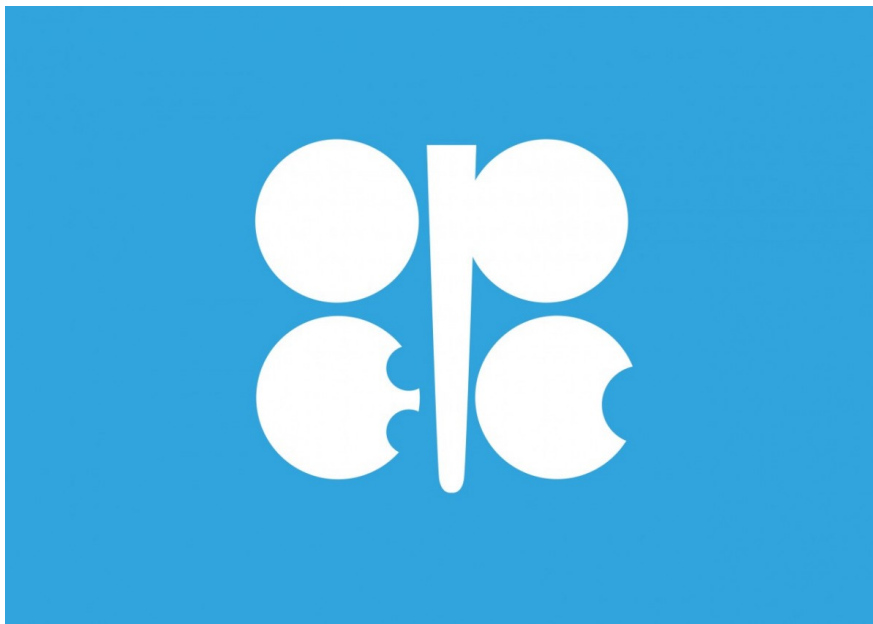


The Commodities Feed: Deeper oil cuts recommended

Your daily roundup of commodity news and ING views



Energy

The US Fed took emergency action yesterday, cutting rates by 50 basis points, although the move did not have the expected outcome, with equity markets selling off, whilst oil gave back much of its earlier gains and ICE Brent settled marginally lower on the day. This suggests that markets were expecting more from the Fed to help offset the economic impact from Covid-19.

What offered relatively more support to oil yesterday (compared to equity markets) was that the OPEC+ Joint Technical Committee recommended to OPEC+ to increase the level of additional cuts. This also appears to be providing some early morning strength to the oil market today.

Back in early February, the committee recommended additional cuts of 600Mbbbls/d, however, it is now suggesting a cut between 600Mbbbls/d and 1MMbbbls/d for 2Q20. Cuts will need to at least be towards the top end of this range, as we see further downward revisions in demand growth as Covid-19 spreads. There is more evidence of the spread of the virus having an impact on demand outside of China, with media reports of a refiner in South Korea planning to cut run rates between 5-10% over March and April at one of its refineries as a result of the outbreak.

Finally, the API reported yesterday that US crude oil inventories increased by 1.69MMbbls over the week, which was less than the 3MMbbls build the market was expecting, according to a Bloomberg survey. The more widely followed EIA report will be released later today. Although given the agenda for the rest of the week, with OPEC+ meetings, the market is likely to pay less attention than usual to this report.

Metals

The US Fed's emergency 50 basis point cut did little to support base metal prices, with most metals in the complex closing lower on the day. Gold did react as one would expect following the Fed easing, with the yellow metal settling more than 3.2% higher on the day. Given the current environment and the expectation that there is more easing to come from central banks around the globe, we continue to hold a constructive outlook for gold.

Turning back to base metals, and both zinc and copper continue to see diverging trends when it comes to spot treatment charges (TCs). According to the latest data, spot TCs for imported zinc concentrate in China recorded their first decline in the last two years. We believe that part of this comes down to tighter domestic mine supply, with reported difficulties in ramping up from local mines. The average TC for imported concentrate has declined by \$5/t this week to around \$300/t, according to Asian Metals. Meanwhile, copper's spot TCs have continued rising and now sit just above US\$71/t, providing some relief to higher-cost smelters. Although for the smelting business, sulphuric acid storage remains a big pain point in the short term, despite the fact that logistics and transportation have started to recover.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	51.86	-0.08	-21.42	Spot Gold (US\$/oz)	1,640.9	3.24	8.15
NYMEX WTI (US\$/bbl)	47.18	0.92	-22.73	Spot Silver (US\$/oz)	17.2	2.89	-3.55
ICE Gasoil (US\$/t)	460	1.27	-25.04	LME Copper (US\$/t)	5,667	-0.59	-8.22
NYMEX HO (Usc/g)	153	0.28	-24.42	LME Aluminium (US\$/t)	1,722	0.29	-4.86
Eurobob (US\$/t)	467	-0.66	-19.17	LME Zinc (US\$/t)	1,976	-2.35	-13.05
NYMEX RBOB (Usc/g)	153	-0.54	-9.81	LME Nickel (US\$/t)	12,560	-1.10	-10.45
NYMEX NG (US\$/mmbtu)	1.80	2.51	-17.77				
TTF Natural Gas (EUR/MWh)	9.17	3.17	-23.92	CBOT Corn (Usc/bu)	382	1.87	-1.55
				CBOT Wheat (Usc/bu)	529	0.48	-5.37
API2 Coal (US\$/t)	48	0.21	-12.37	CBOT Soybeans (Usc/bu)	893	0.28	-5.30
Newcastle Coal (US\$/t)	66	-0.52	-3.77	ICE No.11 Sugar (Usc/lb)	13.76	-0.36	2.53
SGX TSI Coking Coal (US\$/t)	155	-0.06	9.55	ICE Arabica (Usc/lb)	121	5.58	-6.67
SGX Iron Ore 62% (US\$/t)	85.81	-0.24	-6.03	ICE London Cocoa (GBP/t)	1,906	-0.42	4.78

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

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.