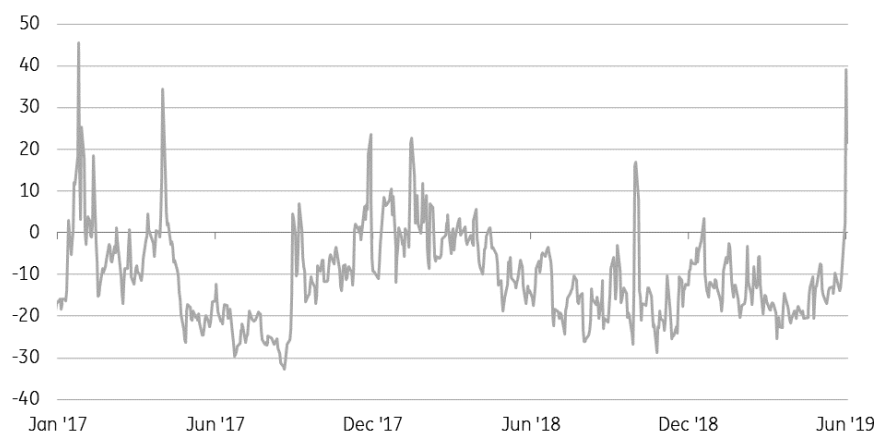


The Commodities Feed: Differing views on fair price

Your daily roundup of commodity news and ING views



LME Lead cash/3m spread strength (US\$/t)



Source: Bloomberg, ING Research

Energy

Russia and OPEC+: After comments earlier in the week from Rosneft's CEO, who seems against extending the current OPEC+ production cut deal, Russia's President pointed out that there are "differences in opinion regarding the fair price" between his nation and OPEC members. President Putin also stated that Russia is happy with an oil price of \$60-65/bbl, with the country's budget based on an oil price of \$40/bbl. Russia's commitment to a deal extension is clearly going to be a key focus for the oil market in the lead up to the OPEC+ deal, which is expected to be held in late June/early July. Given the recent downward pressure on the flat price and concerns over the macro picture, we do believe that it is likely OPEC+ continue with the deal through until the end of this year.

ARA product inventories: Latest data from PJK International shows that ARA refined product inventories increased by 172kt over the last week to total 5.85mt. The increase over the week was driven by gasoline stocks, which grew by 241kt over the week, to total 1.08mt. After the strong flows to the Americas seen in April, European flows to the Americas have since slowed, with US gasoline inventories having trended higher since early May. These stock builds have weighed quite heavily on gasoline cracks in recent days.

Metals

Lead smelter outage: Nyrstar has declared force majeure on lead supply from its Port Pirie smelter in Australia. The smelter has been out of operation since 28 May due to an unplanned outage. The company is assessing damage to the 160ktpa lead plant and it is hoped that operations will restart within the coming days. LME lead prices have gained around 5% since the start of the current month, while the forward curve has slipped into deeper backwardation– the LME lead cash/3M spread has strengthened from a discount of US\$11/t at the end of May to a premium of as high as US\$39/t recently. Meanwhile, LME lead inventory stands at a decade low of 66.6kt.

Agriculture

US crop sales: In its weekly sales report, the USDA reported that US soybean export sales increased from 421kt to 584kt for the week ended 30 May. China has slowed down on new purchases since mid-May due to the escalation of the trade war, which means soybean shipments are likely to slow further moving ahead. The USDA is scheduled to release its monthly WASDE report next week, which will be watched closely for the impact of planting delays on US corn and soybean production estimates.

In South America, Brazil's trade ministry reported that soybean exports from the country fell 12% year-on-year to 10.8mt in May – exports to China were down 23% YoY to 7.5mt while shipments to the rest of the world were up 28% YoY to 3.3mt. Meanwhile, the Buenos Aires Grains Exchange reported that the soybean harvest in Argentina is 96.1% complete as of 6 June (+5.4% WoW), with the production estimate for the season left unchanged at 56mt. The corn harvest is 39.3% complete (+1.9% WoW), with a total crop estimate of 48mt.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|----------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 61.67 | 1.72 | 14.63 | Comex Silver (US\$/oz) | 14.9 | 0.77 | -4.09 |
| NYMEX WTI (US\$/bbl) | 52.59 | 1.76 | 15.81 | LME Copper (US\$/t) | 5,808 | 0.02 | -2.63 |
| ICE Gasoil (US\$/t) | 542 | -0.05 | 6.12 | LME Aluminium (US\$/t) | 1,776 | 0.28 | -3.79 |
| NYMEX HO (Usc/g) | 179 | 0.47 | 6.40 | LME Zinc (US\$/t) | 2,503 | 1.67 | 1.46 |
| Eurobob (US\$/t) | 588 | 0.09 | 22.62 | LME Nickel (US\$/t) | 11,666 | -0.47 | 9.13 |
| NYMEX RBOB (Usc/g) | 171 | 0.87 | 29.00 | | | | |
| NYMEX NG (US\$/mmbtu) | 2.32 | -2.27 | -20.95 | CBOT Corn (Usc/bu) | 421 | 1.39 | 12.13 |
| | | | | CBOT Wheat (Usc/bu) | 510 | 3.92 | 1.34 |
| API2 Coal (US\$/t) | 53 | 0.95 | -37.71 | CBOT Soybeans (Usc/bu) | 869 | -0.11 | -1.56 |
| NYMEX Coking Coal (US\$/t) | 199 | 0.00 | -12.46 | ICE No.11 Sugar (Usc/lb) | 12.51 | 2.46 | 3.99 |
| | | | | ICE Arabica (Usc/lb) | 102 | 2.98 | 0.20 |
| | | | | ICE London Cocoa (GBP/t) | 1,782 | 0.11 | 0.91 |

Source: Bloomberg, ING Research

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