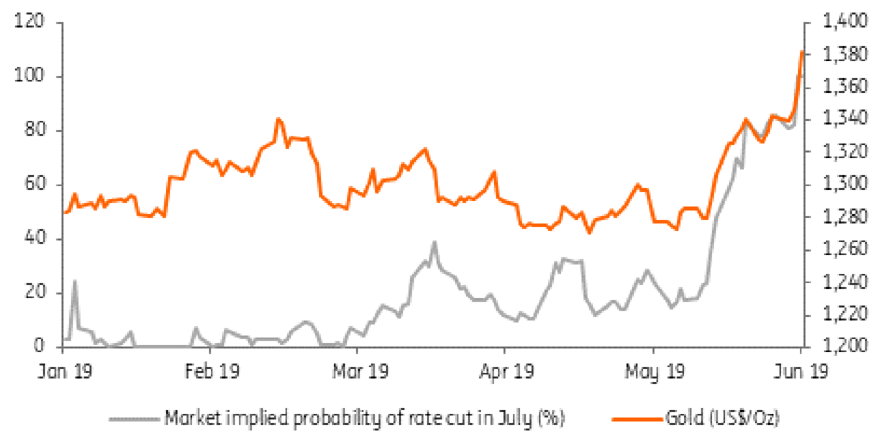
Snap | 20 June 2019

COMMODITIES DAILY

The Commodities Feed: Dovish Fed sees commodities rally

Your daily roundup of commodity news and ING views

Fed rate cut probability supports gold



Source: Bloomberg, ING Research

Energy

EIA weekly report: Yesterday's EIA report was fairly constructive, noting that US crude oil inventories declined by 3.1MMbbls over the last week, which was more than both the

1.25MMbbls expected by the market, and the 812Mbbls drawdown reported by the API the previous day. Refinery utilisation rates increased by 0.7 percentage points to reach 93.9%, the highest levels seen since January. This helped to push crude inputs at refineries up by 200Mbbls/d. Meanwhile, crude oil exports over the week were marginally lower, falling by 144Mbbls/d, whilst US crude oil exports increased by 300Mbbls/d to average 3.42MMbbls/d over the week. US crude oil exports have now averaged more than 3MMbbls/d for the last four weeks. This more constructive report, along with a more dovish tone from the Federal Reserve, has pushed prices higher this morning.

OPEC meeting confirmed: A date for the OPEC+ mid-year meeting has finally been agreed, with members set to meet in Vienna on 1-2 July. There is growing consensus that an extension to the current deal will be agreed, with the UAE oil minister the latest to express his confidence that OPEC+ will continue with the deal for the remainder of the year. Given growing concerns over demand growth, which have been highlighted by a number of agencies revising lower their demand growth estimates for the year, we believe an extension is inevitable.

Metals

Gold gains: Gold is on fire, following the dovish tone from the Fed meeting in which they hinted at a rate cut in the second half of the year, saying that “uncertainties about the (market) outlook have increased”. The market-implied probability of a July rate cut has increased to 100% since the Fed meeting. In turn, gold prices have rallied by more than 2.9% over the last two days, as investors and speculators move towards precious metals. Gold prices have increased by more than 6% since the start of the current month. ETF investors have bought nearly 2mOz of gold so far this month, and price action suggests that speculators have also added to their longs over the week.

Iron-ore supply: Rio Tinto has lowered its iron ore production guidance for the current year to 320-330mt compared to an earlier target of 333-343mt due to operational problems at Pilbara region in Western Australia. This is the second time in two months that Rio Tinto has lowered its production guidance, removing nearly 20mt of potential supply from the market. On the other hand, Vale reported that it received approval from a Federal court to resume ‘wet-processing’ at the 30mtpa Brucutu mine and that it could restart the operations at the mine soon.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**61.82**	-0.51	14.91	Spot Gold (US$/oz)	**1,360.4**	1.02	6.07
NYMEX WTI (US$/bbl)	**53.76**	-0.26	18.39	Spot Silver (US$/oz)	**15.2**	0.98	-2.18
ICE Gasoil (US$/t)	**560**	-0.40	9.69	LME Copper (US$/t)	**5,918**	-0.52	-0.79
NYMEX HO (Usc/g)	**183**	0.09	8.84	LME Aluminium (US$/t)	**1,784**	0.17	-3.36
Eurobob (US$/t)	**589**	0.07	22.74	LME Zinc (US$/t)	**2,478**	-1.35	0.45
NYMEX RBOB (Usc/g)	**174**	0.82	31.11	LME Nickel (US$/t)	**12,090**	1.17	13.10
NYMEX NG (US$/mmbtu)	**2.28**	-2.23	-22.59				
TTF Natural Gas (EUR/MWh)	**10.48**	-4.98	-52.31	CBOT Corn (Usc/bu)	**441**	-1.95	17.60
				CBOT Wheat (Usc/bu)	**522**	-1.74	3.78
API2 Coal (US$/t)	**50**	0.20	-42.03	CBOT Soybeans (Usc/bu)	**903**	-1.12	2.35
Newcastle Coal (US$/t)	**69**	-0.72	-32.35	ICE No.11 Sugar (Usc/lb)	**12.50**	-0.87	3.91
SGX TSI Coking Coal (US$/t)	**195**	-0.51	-8.02	ICE Arabica (USc/lb)	**96**	2.07	-5.50
SGX Iron Ore 62% (US$/t)	**108.03**	1.20	55.51	ICE London Cocoa (GBP/t)	**1,838**	0.16	4.08

Source: Bloomberg, ING Research

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