

# The Commodities Feed: Downward pressure on oil continues

Your daily roundup of commodity news and ING views



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## Energy

Oil came under further pressure yesterday, with ICE Brent trading as low as US\$41.51/bbl at one stage - levels last seen in early July. Time spreads have also come under pressure in recent days, with the ICE Brent Nov/Dec spread trading down to a contango of US\$0.57/bbl at one stage yesterday. The key concern for the market remains demand, and with China having restocked in prior months, sizeable fresh Chinese buying appears to be absent from the market at the moment. Crude oil imports into China continue to edge lower from the record volumes imported in June. The latest customs data shows that crude oil imports in August averaged 11.23MMbbls/d, down from 12.13MMbbls in July, and much lower than the record 12.99MMbbls/d reported in June. On a YoY basis, oil imports are still up 13%.

Also not great for sentiment is the reduction in the Saudi official selling price (OSP) for most grades of its crude, and into most regions for October. Arab Light into Asia saw its OSP cut by US\$1.40/bbl MoM, leaving it at a US\$0.50/bbl discount to the benchmark. This is the first time since June that the Saudis have set this OSP at a discount to the Oman/Dubai benchmark. Clearly this suggests that the market is not tightening as quickly as many had anticipated, with supply edging higher, and with demand clearly faltering.

Finally, given it was a public holiday in the US yesterday, the usual API and EIA weekly inventory

numbers will be delayed by a day, with API numbers out on Wednesday and the EIA release published on Thursday.

## Metals

Base metals climbed higher yesterday on the LME market, with the exception of nickel. However, volumes were subdued partly because US traders were absent due to the Labour Day holiday. Chinese trade data showed that copper imports in August remained elevated, offering some support to the market. LME copper closed almost 1.2% higher yesterday, while the cash/3M spread moved deeper into backwardation. Further outflows in LME inventories raise the risk of a squeeze, with inventories yesterday falling by a further 4,900t to 77,550t, the lowest levels since 2005.

In value terms, Chilean copper exports in August fell by 11% MoM, which does not bode well for shipments in volume terms (this figure is not yet available). This is aligned with spot treatment charges, which have remained depressed. Meanwhile, at the end of last week, the union representing workers at Codelco vowed to take action against job threats though it is unclear what the nature of the risk is. However, this may have added to the concerns of potential disruptions to mine supply from Chile.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	42.01	-1.52	-31.82	Spot Gold (US\$/oz)	1,933.6	-0.02	27.44
NYMEX WTI (US\$/bbl)	N/A	N/A	N/A	Spot Silver (US\$/oz)	26.8	-0.29	50.30
ICE Gasoil (US\$/t)	328	-2.24	-44.43	LME Copper (US\$/t)	6,789	1.18	9.96
NYMEX HO (Usc/g)	N/A	N/A	N/A	LME Aluminium (US\$/t)	1,798	0.62	-0.69
Eurobob (US\$/t)	N/A	N/A	N/A	LME Zinc (US\$/t)	2,510	1.07	10.45
NYMEX RBOB (Usc/g)	N/A	N/A	N/A	LME Nickel (US\$/t)	15,186	-0.70	8.28
NYMEX NG (US\$/mmbtu)	N/A	N/A	N/A	CBOT Corn (Usc/bu)	N/A	N/A	N/A
TTF Natural Gas (EUR/MWh)	11.23	-3.85	-6.80	CBOT Wheat (Usc/bu)	N/A	N/A	N/A
API2 Coal (US\$/t)	53	-1.58	-13.05	CBOT Soybeans (Usc/bu)	N/A	N/A	N/A
Newcastle Coal (US\$/t)	50	-0.99	-27.73	ICE No.11 Sugar (Usc/lb)	N/A	N/A	N/A
SGX TSI Coking Coal (US\$/t)	123	0.00	-12.77	ICE Arabica (Usc/lb)	N/A	N/A	N/A
SGX Iron Ore 62% (US\$/t)	124	0.55	35.40	ICE London Cocoa (GBP/t)	1,758	-1.01	-3.35

Source: Bloomberg, ING Research

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