

The Commodities Feed: Fed easing offers little support

Your daily roundup of commodity news and ING views



Energy

The outlook for markets continues to look increasingly gloomy, with more countries going into lockdown over the weekend and further travel restrictions. ICE Brent is down by around 3% at time of writing, moving ever closer towards the US\$30/bbl level. Clearly the oil market has ignored the emergency rate cut from the US Fed over the weekend. The breakdown in the OPEC+ deal could not have come at a worse time, with the market already having to deal with a demand shock. The surge in supply expected from April, along with the demand hit, does mean that the global oil market is set to see a significant surplus over 2Q20, suggesting that this current weakness is likely to persist through 2Q20. Time spreads also reflect the surplus environment, moving deeper into contango, with the ICE Brent May/Jun spread trading to more than a US\$2/bbl discount late last week.

Another spread where we have seen a big move is WTI/Brent, trading at around a US\$1.30/bbl discount at the moment, compared to a more than US\$5/bbl discount at the start of March. The relative weakness in Brent shouldn't come as too much of a surprise, given the severity of the breakout across Europe, along with the action taken by governments in order to try contain the virus. Another factor offering relatively more support to WTI is news that President Trump has

ordered Strategic Petroleum Reserves to be filled up at these lower price levels. This theoretically means that around 92MMbbls could be bought up but logistical constraints would mean that this number is likely to be lower.

Finally, latest Commitment of Traders data shows significant liquidation in ICE Brent from speculators, with them reducing their net long by 74,430 lots over the last reporting week. This leaves them with a net long of just 153,355 lots as of last Tuesday - approaching levels last seen in late 2018.

Metals

Metal markets have largely ignored the emergency action taken by the US Fed over the weekend, with it cutting its benchmark rate by a full percentage point, and the restart of quantitative easing. All but one of the LME metals are trading in the red this morning. Meanwhile [poor industrial production numbers out of China](#) over the first two months of the year has certainly not helped.

Meanwhile, latest data from the Shanghai Futures Exchange (SHFE) showed that copper stocks rose for a fifth consecutive week, with inventories climbing by 35kt last week to take total inventories to 380kt – the highest level since March 2016. Copper inflows so far over March stand at 69kt, more than half the total inflows of 105kt seen in February. YTD inflows for copper now stand at 239kt versus 156kt over the same period last year. Looking at other metals, SHFE aluminum stocks saw an increase of 40kt over the week to total 520kt, whilst SHFE zinc stocks grew marginally by 8kt to 170kt. YTD inflows for aluminium total 332kt, compared to inflows of 67kt over the same period last year. The constant rise in inventories appears to be directly attached to China's continued struggle with overall sluggish demand.

In ferrous metals, latest Steelhome data shows that Chinese iron ore port inventories remained flat, with total socks standing at 126mt as of 13 March, compared to a marginal outflow of 70kt a week earlier. The slowing outflows of raw materials highlight the constant pressure in the downstream industry.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	33.85	1.90	-48.71	Spot Gold (US\$/oz)	1,529.8	-2.94	0.83
NYMEX WTI (US\$/bbl)	31.73	0.73	-48.03	Spot Silver (US\$/oz)	14.7	-6.96	-17.54
ICE Gasoil (US\$/t)	337	-10.51	-45.20	LME Copper (US\$/t)	5,460	0.37	-11.56
NYMEX HO (Usc/g)	114	-1.93	-43.92	LME Aluminium (US\$/t)	1,681	1.48	-7.15
Eurobob (US\$/t)	314	0.97	-45.69	LME Zinc (US\$/t)	1,985	2.43	-12.63
NYMEX RBOB (Usc/g)	90	0.19	-47.04	LME Nickel (US\$/t)	12,320	4.14	-12.16
NYMEX NG (US\$/mmbtu)	1.87	1.52	-14.62				
TTF Natural Gas (EUR/MWh)	9.29	-0.42	-22.95	CBOT Corn (Usc/bu)	371	0.27	-4.38
				CBOT Wheat (Usc/bu)	515	1.28	-7.87
API2 Coal (US\$/t)	48	2.22	-11.55	CBOT Soybeans (Usc/bu)	847	-0.96	-10.21
Newcastle Coal (US\$/t)	65	1.32	-5.21	ICE No.11 Sugar (Usc/lb)	11.70	0.69	-12.82
SGX TSI Coking Coal (US\$/t)	159	0.00	12.52	ICE Arabica (Usc/lb)	107	-1.92	-17.46
SGX Iron Ore 62% (US\$/t)	88.30	1.32	-3.31	ICE London Cocoa (GBP/t)	1,782	-1.87	-2.03

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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.