

The Commodities Feed: Fuel oil cracks continue to strengthen

Your daily roundup of commodity news and ING views



3.5% FOB Rotterdam barge fuel oil crack (US\$/bbl)



Source: Bloomberg, ING Research

Energy

US crude oil inventories: The API is set to release its weekly inventory numbers later today, and the market is expecting that US crude oil inventories increased by 1.5MMbbls over the last week,

according to a Bloomberg survey. The Saudis in recent weeks have reduced flows to the US, something that is likely to continue moving forward. EIA data released last week showed that weekly US imports from the Kingdom fell by 528Mbbbls/d week-on-week to 422Mbbbls/d- the lowest weekly number since October 2017. Despite this, the EIA last week still reported a small build in US inventories. For products this week, expectations are for a 1.5MMbbbls build in gasoline stocks, whilst distillate fuel oil inventories are expected to decline by 2.25MMbbbls.

Fuel oil cracks stronger: The 3.5% FOB Rotterdam barge fuel oil crack has continued to strengthen, with the crack trading to a discount of just US\$4.35/bbl, and this compares to a discount of around US\$7/bbl at the start of the year. The strength in the crack appears to be driven by an open arbitrage into Asia. According to PJK International, fuel oil inventories in the ARA region have fallen from almost 1.5mt in early January to below 950kt as of last week.

Metals

Further iron ore disruptions: Vale has suspended some operations at its Brucutu mine to comply with a court order to improve safety measures at the mine; the mine halt could impact 30mtpa of iron ore supply if Vale is unable to successfully appeal the decision. This additional disruption is on top of the initial 40mtpa of closures that Vale previously announced. Although the previously announced 40mtpa cut is largely expected to be offset with production from elsewhere. Given the growing uncertainty around Brazilian iron ore supply and prospects for a much tighter than anticipated market, prices are likely to remain well supported moving forward.

Agriculture

US grain export inspections: Latest data from the USDA shows that a total of 976kt of US soybeans were inspected for export over the last week, up from 943kt the week before. 412kt of soybeans inspected were destined for China. Cumulative soybean inspections now stand at 21.45mt for the season, compared to 34.71mt at the same stage last year. Meanwhile, corn export inspections over the week totalled 901kt, down from 968kt the week before.

Ivory Coast cocoa arrivals: Latest data from Bloomberg shows that cocoa arrivals at ports in the Ivory coast totalled 66kt for the week ending 3 February compared to around 57kt for the same week last year. Meanwhile, cumulative arrivals so far this season stand at 1.37mt, compared to 1.25mt at the same stage last season.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	62.51	-0.38	16.19	Comex Silver (US\$/oz)	15.9	-0.28	2.23
NYMEX WTI (US\$/bbl)	54.56	-1.27	20.15	LME Copper (US\$/t)	6,168	0.47	3.40
ICE Gasoil (US\$/t)	581	0.39	13.66	LME Aluminium (US\$/t)	1,919	1.91	3.95
NYMEX HO (Usc/g)	191	-0.28	13.48	LME Zinc (US\$/t)	2,801	0.86	13.54
Eurobob (US\$/t)	511	-1.09	6.53	LME Nickel (US\$/t)	13,260	4.74	24.04
NYMEX RBOB (Usc/g)	143	-0.32	8.20	CBOT Corn (Usc/bu)	379	0.26	1.13
NYMEX NG (US\$/mmbtu)	2.66	-2.71	-9.52	CBOT Wheat (Usc/bu)	526	0.29	4.47
API2 Coal (US\$/t)	78	-2.20	-9.80	CBOT Soybeans (Usc/bu)	919	0.08	4.08
NYMEX Coking Coal (US\$/t)	204	0.00	-10.26	ICE No.11 Sugar (Usc/lb)	12.85	1.98	6.82
				ICE Arabica (Usc/lb)	106	1.83	3.68
				ICE London Cocoa (GBP/t)	1,633	2.64	-7.53

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.