

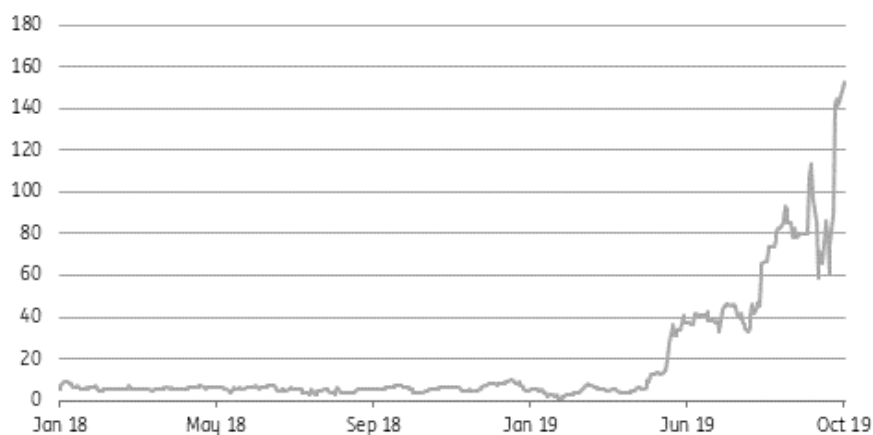
The Commodities Feed: Fuel oil spread widens

Your daily roundup of commodity news and ING views



Source: Shutterstock

1%-3.5% fuel oil price spread (US\$ per tonne)



Source: Bloomberg, ING

Energy

US oil stocks: The API report yesterday showed that US oil inventories increased by 4.1MMbbls last week, significantly higher than the 1.95MMbbls stock build that the market was expecting, according to a Bloomberg survey. On the products side, the API reported that gasoline and middle distillate inventories dropped by 5.9MMbbls and 4MMbbls, respectively. Lower refinery run rates in the US have been helping crude oil stocks to increase in the country while weighing on the products inventory. Official EIA data is scheduled to be released later today.

Fuel oil price spread: The price spread between 1% and 3.5% fuel oil in Northwest Europe has increased to a record high of above US\$150/t as the deadline for ships to switch to IMO compliant fuel approaches. Shipping companies have been shifting to low sulphur fuel oil (LSFO), which continues to weigh on demand for high sulphur fuel oil (HSFO). The gasoil-HSFO price spread has also increased to a five-year high of more than US\$300/t currently. Meanwhile, ExxonMobil is reported to have started 0.5% fuel oil deliveries to ports in Northwest Europe and Singapore, which should improve the availability of IMO compliant fuel at ports and may further weigh on HSFO demand.

Metals

Codelco keeps premium flat: Codelco is said to have set the copper premium for its Chinese and Southeast Asian customers at \$88/t for 2020 (basis cif Shanghai), unchanged from 2019. Currently, the spot premium for China was reported at around \$75/tonne, 19% lower year-to-date. Refined copper imports during the first eight months have declined by 10% year-on-year, according to the China Customs. The premium for 2020, though unchanged, came as a bit of surprise against the backdrop that imports are slowing in tandem with China's copper demand growth.

Lead's Tuesday defeat: LME 3M lead prices saw a pullback on Tuesday. On a year-to-date basis, lead remains the second-best performer within the base metals complex. It's getting more certain that the market balance this year has flipped, mainly due to smelter outages. We have said the market may end up in balance or in a small deficit instead of the widely expected surplus ([here](#)). In the meantime, a low stock level in LME sheds continues to offer support to prices. Demand towards the end of the year is likely to be firm in the northern hemisphere winter season, remaining supportive to prices in the near term. Risks are still largely on the supply side (Port Pirie's return to normal and China's secondary supply), which could weigh on prices. However, we would have to see a tangible rise in stocks for prices to see a major downturn.

Agriculture

Brazil crop: Ahead of the production estimates for 2019/20 from CONAB later this week, a Bloomberg survey estimates that the corn and soybean acreage could increase in the country, which would support higher production. The Bloomberg survey shows soybean acreage increasing from 35.9m ha in 2018/19 to 36.7m, which should push production higher by 6.7% year-on-year to 122.7mt. Similarly for corn, acreage is estimated to increase from 17.5m ha in 2018/19 to 18m ha in 2019/20 with production likely to increase 1.5% YoY to 101.5mt. Higher demand for Brazilian grains from China and a softer Brazilian real have been supporting the higher acreage for the year.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 58.24 | -0.19 | 8.25 | Spot Gold (US\$/oz) | 1,505.5 | 0.80 | 17.39 |
| NYMEX WTI (US\$/bbl) | 52.63 | -0.23 | 15.90 | Spot Silver (US\$/oz) | 17.7 | 1.69 | 14.44 |
| ICE Gasoil (US\$/t) | 579 | -1.70 | 13.31 | LME Copper (US\$/t) | 5,676 | -0.81 | -4.85 |
| NYMEX HO (USc/g) | 191 | 0.36 | 13.64 | LME Aluminium (US\$/t) | 1,752 | 0.32 | -5.12 |
| Eurobob (US\$/t) | 563 | -0.68 | 17.28 | LME Zinc (US\$/t) | 2,298 | 0.39 | -6.85 |
| NYMEX RBOB (USc/g) | 158 | 0.73 | 19.43 | LME Nickel (US\$/t) | 17,570 | -0.87 | 64.36 |
| NYMEX NG (US\$/mmbtu) | 2.29 | -0.65 | -22.18 | | | | |
| TTF Natural Gas (EUR/MWh) | 15.64 | 0.86 | -28.85 | CBOT Corn (Usc/bu) | 396 | 2.26 | 5.53 |
| | | | | CBOT Wheat (Usc/bu) | 500 | 2.25 | -0.60 |
| API2 Coal (US\$/t) | 66 | 2.26 | -21.71 | CBOT Soybeans (Usc/bu) | 921 | 0.57 | 4.31 |
| Newcastle Coal (US\$/t) | 70 | 1.15 | -30.62 | ICE No.11 Sugar (Usc/lb) | 12.46 | -0.48 | 3.57 |
| SGX TSI Coking Coal (US\$/t) | 154 | 0.56 | -27.43 | ICE Arabica (Usc/lb) | 96 | -1.34 | -6.04 |
| SGX Iron Ore 62% (US\$/t) | 89.69 | 1.23 | 29.11 | ICE London Cocoa (GBP/t) | 1,938 | 0.83 | 9.74 |

Source: Bloomberg, ING

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