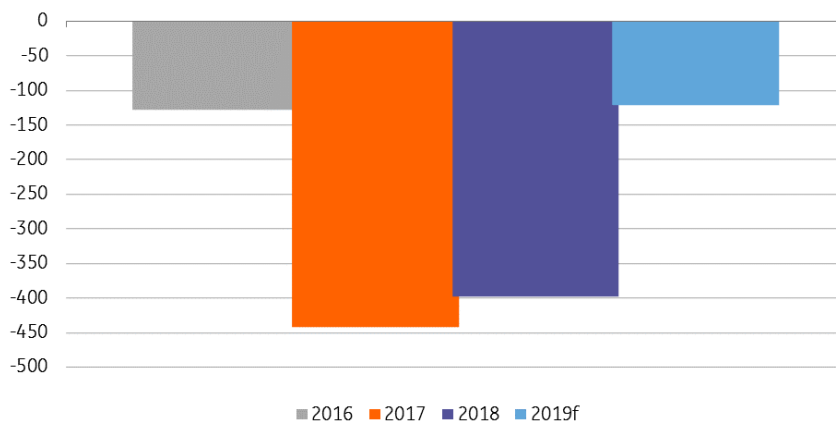


The Commodities Feed: Further spread strength

Your daily roundup of commodity news and ING views



Global refined zinc supply/demand balance (k tonnes)



Source: ILZSG

Energy

Deeper into backwardation: ICE Brent prompt spreads continue to move deeper into backwardation, with the Jul/Aug spread trading to as high as US\$0.93/bbl, up from US\$0.75/bbl on Wednesday. While trade war concerns have weighed largely on the flat price this week, the spreads clearly point towards a tight market. Meanwhile, following the increase in the Saudi's official selling price to all regions except the US for June, the Iraqis increased their official selling price for Basrah Light into Asia by US\$0.60/bbl to US\$1.60/bbl over Oman/Dubai for June shipments.

Refined product inventories: Latest data from PJK International shows that refined product inventories in the ARA region fell by 308kt over the last week to total 5.37mt. The drawdown in stocks was led by gasoline, with inventories declining by 184kt to total 847kt. Gasoline flows from Europe to the Americas have been strong, with US gasoline inventories continuing to trend lower as we move into the summer months. The prolonged refinery maintenance season in the US has clearly been bullish for gasoline cracks, and we expect these cracks to remain well supported, given where US gasoline inventories stand.

Metals

US tariffs come into effect: The US tariff hike on US\$200 billion of Chinese goods came into effect this morning and with this hopes for a quick resolution also faded. Discussions between China and the US were held yesterday, and are set to continue today. China has said that it will be forced to retaliate, although measures are yet to be announced. The deterioration in trade talks has been supportive for gold prices, although oddly ETF holdings in gold have continued to trend lower over the course of this week.

Zinc supply/demand balance: In its latest forecasts, the ILZSG estimates that the global zinc market will be in deficit by 121kt over 2019, smaller than the 398kt deficit seen in 2018. Mine supply is expected to increase by more than 6%, with increases coming largely from Australia, China and South Africa. Refined zinc output is estimated to increase by 3.6% year-on-year to 13.65mt, while demand is expected to rise modestly by 0.6% YoY to 13.77mt.

Agriculture

WASDE release: The USDA will be releasing its monthly WASDE later today, and the report will also include the agency's first estimates for the 2019/20 season. For US wheat, despite a lower area for 2019, market expectations are that production for 2019/20 will increase from 1.88b bushels to a little over 1.9b bushels, given the great condition of the crop. Unsurprisingly, the market is expecting US corn output to increase from 14.42b bushels to 14.84b bushels on the back of farmers switching area from soybeans to corn. Looking at the global balance, market expectations are that for soybeans and wheat we will see an increase in ending stocks for 2019/20, whilst corn ending stocks are expected to edge lower, despite the area increase in the US.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	70.39	0.03	30.84	Comex Silver (US\$/oz)	14.7	-0.57	-5.36
NYMEX WTI (US\$/bbl)	61.7	-0.68	35.87	LME Copper (US\$/t)	6,102	-0.75	2.30
ICE Gasoil (US\$/t)	632	-1.10	23.79	LME Aluminium (US\$/t)	1,799	0.11	-2.55
NYMEX HO (Usc/g)	204	-0.61	21.58	LME Zinc (US\$/t)	2,610	-1.45	5.80
Eurobob (US\$/t)	681	0.04	42.00	LME Nickel (US\$/t)	11,778	-1.39	10.18
NYMEX RBOB (Usc/g)	198	0.02	49.23				
NYMEX NG (US\$/mmbtu)	2.60	-0.57	-11.73	CBOT Corn (Usc/bu)	345	-3.03	-8.13
				CBOT Wheat (Usc/bu)	422	-2.20	-16.19
API2 Coal (US\$/t)	62	-2.29	-26.98	CBOT Soybeans (Usc/bu)	800	-1.72	-9.32
NYMEX Coking Coal (US\$/t)	205	0.00	-9.82	ICE No.11 Sugar (Usc/lb)	11.78	1.12	-2.08
				ICE Arabica (Usc/lb)	90	2.64	-12.13
				ICE London Cocoa (GBP/t)	1,879	0.11	6.40

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 <http://www.ing.com>.