

The Commodities Feed: Gasoline takes a hit

Your daily roundup of commodity news and ING views



Energy

The oil market found some support yesterday and this has continued this morning, following the US Fed taking further action to cushion the economic fallout from the Covid-19 virus. Meanwhile growing noise around a potential US-Saudi oil alliance has only provided further support to the market. For now though, an alliance between the two does seem like a pipe-dream. Russian oil producers also met with the Russian energy minister yesterday, to discuss the market outlook. While no decision was made, the head of Tatneft did say following the meeting that it makes little economic sense to increase output in April given the demand hit from Covid-19.

Moving on, and Nigeria crude differentials for April were reduced significantly amid the ongoing price war between Saudi Arabia and Russia. Bonny Light in April will be sold at a US\$3.29/bbl discount to dated Brent, which is a reduction of US\$4.99/bbl MoM, and is the lowest differential going as far back as mid-2002.

Finally, the gasoline market was hit hard yesterday, with NYMEX RBOB settling almost 32% lower on the day, taking gasoline futures down to the lowest level since 1999. Meanwhile the move also saw RBOB cracks trading into negative territory. This selloff reflects worries over end-use demand

due to the Covid-19 virus. A number of refiners in the US have, or are in the process of cutting run rates as a result of weaker demand and refinery margins. Meanwhile Exxon announced that it would also be cutting run rates at two of its refineries in France given the weak products demand picture. As long as there is no improvement in demand, refinery margins will have to remain weak in order to push refiners to reduce run rates further.

Metals

Spot gold prices rallied by more than 3.6% yesterday to settle above US\$1,500/oz, and this strength has continued in early morning trading. This strength follows the US Fed announcing unlimited quantitative easing in a bid to support the US economy. Meanwhile gold refiners in Switzerland halted production for at least a week given the Covid-19 outbreak. Gold refineries - Valcambi, Argor-Heraeus and PAMP contribute almost a third to total annual gold supply.

Turning to base metals, and mine supply disruptions from Chile and Peru have done little to support LME copper, with it closing 3.7% lower yesterday. The recent announcements of reduced mining operations in Chile and Peru for 2 weeks is expected to shave off around 1.5% of supply from global output. However for now the market is more focused on slowing demand, which is keeping pressure on prices. In these uncertain times, it is not too much of a surprise to see a move away from risk assets towards safe havens, this is evident when looking at the copper/gold ratio, which has now fallen below 3, and taking it below the levels seen during the Global Financial Crisis.

Finally iron ore saw a pullback yesterday with SGX April futures falling 7.4%, and settling well below the US\$80/t level once again. Meanwhile Vale announced yesterday that it was to halt its Asian terminal (Teluk Rubiah in Malaysia), a major conduit to China, as a precautionary measure against Covid-19. However, despite this, the miner maintained its 2020 iron ore targets for both production and sales.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	27.03	0.19	-59.05			Spot Gold (US\$/oz)	1,553.2	3.64	2.37		
NYMEX WTI (US\$/bbl)	23.36	4.15	-61.74			Spot Silver (US\$/oz)	13.3	5.13	-25.70		
ICE Gasoil (US\$/t)	286	-4.98	-53.42			LME Copper (US\$/t)	4,630	-3.74	-25.01		
NYMEX HO (Usc/g)	102	0.97	-49.90			LME Aluminium (US\$/t)	1,561	-1.33	-13.76		
Eurobob (US\$/t)	253	-6.11	-56.11			LME Zinc (US\$/t)	1,819	-1.60	-19.96		
NYMEX RBOB (Usc/g)	41	-31.98	-75.75			LME Nickel (US\$/t)	10,880	-3.07	-22.42		
NYMEX NG (US\$/mmbtu)	1.60	-0.12	-26.82			CBOT Corn (Usc/bu)	344	-0.07	-11.41		
TTF Natural Gas (EUR/MWh)	7.85	-5.35	-34.87			CBOT Wheat (Usc/bu)	563	4.31	0.67		
API2 Coal (US\$/t)	47	-0.21	-12.63			CBOT Soybeans (Usc/bu)	884	2.49	-6.26		
Newcastle Coal (US\$/t)	65	-3.15	-6.37			ICE No.11 Sugar (Usc/lb)	11.04	1.19	-17.73		
SGX TSI Coking Coal (US\$/t)	149	0.00	5.30			ICE Arabica (Usc/lb)	121	1.29	-6.52		
SGX Iron Ore 62% (US\$/t)	78.43	-7.41	-14.12			ICE London Cocoa (GBP/t)	1,846	0.76	1.48		

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>.