

The Commodities Feed: Gold breaks above \$2,000

Your daily roundup of commodity news and ING views



Energy

API numbers released overnight show that US crude oil inventories declined by 8.59MMbbls over the last week, which was significantly higher than the little over 3MMbbls drawdown the market was expecting. On the product side, gasoline stocks fell by 1.75MMbbls, whilst distillate inventories grew by 3.82MMbbls, much more than the 1MMbbls build the market was expecting. The EIA will release its more widely followed numbers later today, and if we are to see similar changes, it would be safe to say that US crude oil inventories are in a firm downward trend, having already fallen by 14.75MMbbls from the peak of 540.7MMbbls seen at the end of June.

Elsewhere, Saudi Aramco was scheduled to release its official selling prices (OSP) for its crude oil today. However, there are reports that this will be delayed until the end of this week/ early next week. General expectations are that Aramco will reduce its OSP given the easing in supply cuts that we are currently seeing from the OPEC+ group.

Metals

Spot gold made easy work of breaking through the US\$2,000/oz level for the first time ever, with US treasury yields continuing to grind lower - 10 year treasury yields are in striking distance of

50bps. A weaker USD has only provided further support to the yellow metal. Investors continue to pile into gold ETFs, with holdings having increased by more than 820koz over the last week, leaving them at a record 108.51moz. Given that low rates and a weaker USD are likely to persist, we believe that there is still further upside for gold prices ([see also this from our APAC head of Research](#)).

Turning to copper, prices failed to climb higher like the rest of the LME complex, following the release of production data from major miners in South America. Easing labour tensions last week at a couple of Antofagasta's mines, data suggesting a decent recovery from Peru, only a moderate hit to Chilean production, and Codelco announcing the restart of its Chuquibambilla smelter have all led to rising expectations that copper supply-side risks are subsiding.

Finally, looking at zinc, spot treatment charges (TCs) in China have been gradually recovering, as demand for smelting capacity increases on improving mine supply. SMM data shows that zinc TCs in China have risen to US\$170/t currently, compared to around US\$150/t two months ago. Higher mine supplies from Australia helped offset some of the supply losses from Peru. Now with mines ramping up operations in the Americas (including the Antamina mine in Peru) mine supply is likely to improve further over the coming months.

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