

# The Commodities Feed: Growing tensions

Your daily roundup of commodity news and ING views



## Energy

**Oil strength:** The oil market saw quite the rally yesterday, with ICE Brent settling more than 4% higher on the day, whilst NYMEX WTI settled up more than 5%. The more dovish tone taken by the US Federal Reserve on Wednesday certainly helped, as was the case for the commodities complex as a whole. However, the key catalyst for yesterday's move was growing tension in the Middle East, with Iran having shot down a US drone. Overnight, the New York Times reported that President Trump had approved strikes against Iran, only to pull back from the decision on Thursday night. We continue to believe amid this growing tension in the Middle East, along with expectations of an OPEC+ deal extension, that oil prices will trend higher over the second half of the year. A weaker US dollar, with a more dovish Fed only adds further support.

Turning to Russia, and the issue of contaminated oil continues to linger, with Russian pipeline operator Transneft reporting that oil flows to Poland were temporarily suspended on Wednesday evening, after excess levels of organic chlorides were found once again. However, flows resumed once again on Thursday morning.

**Natural gas weakness:** While oil rallied yesterday, Henry Hub natural gas came under further pressure, down 4% on the day. A larger than expected inventory build was the driver, with the EIA reporting that natural gas inventories increased by 115 Bcf, compared to expectations of around a 104 Bcf increase. Still, total natural gas inventories stand at 2.2 Tcf, which is somewhat lower than the five-year average of around 2.39 Tcf for this stage of the year.

It's not just the US market which is under pressure, the European gas market continues to trend lower, with TTF breaking below the lows seen back in 2016. Strong LNG inflows continue to pressure the market, with EU gas inventories at least at a five-year seasonal high of 743 TWh. This weakness in gas is also having an impact on other commodities, with coal under pressure. The general strength in EU carbon prices only adds further pressure to the coal market.

## Metals

**Chile mine strike:** Labour unions at Codelco's Chuquibambilla mine have advised striking workers to vote against the latest wage offer by management when it comes to voting this Saturday. The unions termed the latest offer as 'irresponsible' and hinted that the current industrial action may go on until their demands are met. The strike has not resulted in a force majeure on supplies yet, but this cannot be ruled out in the case of prolonged action. Meanwhile, also a more constructive sign for the market is more recent strength we have seen in refined copper premiums in China, which have recovered from a two-year low of US\$47/t in mid-May to US\$59.5/t currently.

**Gold run continues:** Investors and speculators continued to pile into gold, with prices up more than 4% at one stage over the week, and in fact the market briefly traded above the \$1,400/oz level this morning. Dovish comments from the Fed and market uncertainty continues to support the prevailing bullish sentiment. The rally in gold has seen the gold/silver price ratio increase to 90.8 this week, levels last seen back in 1993. Given broader macro concerns, there is more concern over the demand outlook for silver, given its heavier industrial use.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	64.45	4.25	19.80	Spot Gold (US\$/oz)	1,388.4	2.06	8.26
NYMEX WTI (US\$/bbl)	56.65	5.38	24.75	Spot Silver (US\$/oz)	15.4	1.76	-0.46
ICE Gasoil (US\$/t)	580	3.44	13.46	LME Copper (US\$/t)	5,973	0.93	0.13
NYMEX HO (Usc/g)	188	3.00	12.11	LME Aluminium (US\$/t)	1,781	-0.17	-3.52
Eurobob (US\$/t)	594	0.94	23.90	LME Zinc (US\$/t)	2,468	-0.40	0.04
NYMEX RBOB (Usc/g)	179	2.93	34.95	LME Nickel (US\$/t)	12,300	1.74	15.06
NYMEX NG (US\$/mmbtu)	2.19	-4.00	-25.68				
TTF Natural Gas (EUR/MWh)	10.15	-3.20	-53.83	CBOT Corn (Usc/bu)	450	2.04	20.00
				CBOT Wheat (Usc/bu)	527	0.81	4.62
API2 Coal (US\$/t)	52	1.65	-38.82	CBOT Soybeans (Usc/bu)	916	1.36	3.74
Newcastle Coal (US\$/t)	70	1.31	-31.46	ICE No.11 Sugar (Usc/lb)	12.43	-0.56	3.33
SGX TSI Coking Coal (US\$/t)	193	-0.52	-8.96	ICE Arabica (Usc/lb)	101	4.99	-0.79
SGX Iron Ore 62% (US\$/t)	112.05	3.72	61.29	ICE London Cocoa (GBP/t)	1,794	-2.39	1.59

Source: Bloomberg, ING Research

## Author

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto: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 [www.ing.com](http://www.ing.com).