

The Commodities Feed: IEA slashes demand

Your daily roundup of commodity news and ING views



Energy

There is growing gloominess in oil markets, with NYMEX WTI hitting an intraday low of US\$19.20/bbl yesterday, the lowest level seen since 2002. Developments yesterday reinforced the bearish outlook for the market, with the EIA reporting that US crude oil inventories increased by a record 19.25MMbbls over the last week, taking total crude oil inventories back above the 500MMbbls level. A further fall in refinery utilisation rates was the key factor behind the build, with refiners cutting run rates by 6.5 percentage points over the week, to leave them at just 69.1% - levels last seen in 2008. Despite a further fall in refinery activity, the EIA still reported fairly sizeable builds of 4.91MMbbls and 6.28MMbbls in gasoline and distillate fuel oil respectively. This unsurprisingly comes down to poor demand. Gasoline demand remains at record lows, going as far back as 1990. Meanwhile, distillate fuel oil demand fell to levels last seen in 1999.

Moving on from the US, and the IEA yesterday released its monthly oil market report, in which significant revisions lower were made to their demand forecasts. The agency expects that annual oil demand in 2020 will fall by a record 9.3MMbbls/d YoY. Meanwhile looking at demand over April, the IEA estimates global oil demand will fall by 29MMbbls/d YoY, while for 2Q20 as a whole, demand is expected to fall 23.1MMbbls/d YoY. Obviously, given the scale of demand destruction

this quarter, OPEC+ cuts will fall short of bringing the market to balance anytime soon, and this is reflected in the price weakness seen since the OPEC+ deal.

Finally, today OPEC will release its monthly oil market report, and it will be interesting to see the group's outlook for the remainder of the year, particularly after agreeing to a new production cut deal over the weekend.

Metals

Aluminium continues to rise on the LME, trading to an intraday high of US1,529/t yesterday, despite exchange inventories still surging. Rising expectations of supply cuts have been driving the rally, along with a marginal improvement in the China market. This is evident with inventories in the local market declining, and anecdotal reports of stock replenishment. The latest assessment by SMM shows that cutbacks from China, mainly by bringing forward maintenance work, has been increasing, taking the total number to 885ktpa. We continue to believe that the current rally will only slow any cutbacks which are needed to offset the demand shock.

Rising supply disruptions, particularly from western mines, are also taking a toll on zinc, as spot treatment charges (TCs) continue to fall to the lowest levels in a year. The sudden drop in the TCs not only highlights the concentrate tightness in China but also the rising supply concerns outside China; with the recent suspension of operations at some major mines like Antamina, Cerro Lindo, Atacocha and El Porvenir. Zinc TCs fell to US\$255/t on 14th April (lowest since 16th April '19), and down 16% so far this year. Meanwhile, refined zinc output has grown by 11% year-on-year, suggesting strong concentrate demand.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	27.69	-6.45	-58.05			Spot Gold (US\$/oz)	1,717.0	-0.58	13.17		
NYMEX WTI (US\$/bbl)	19.87	-1.19	-67.46			Spot Silver (US\$/oz)	15.5	-1.83	-13.38		
ICE Gasoil (US\$/t)	261	-6.71	-57.53			LME Copper (US\$/t)	5,112	-1.00	-17.21		
NYMEX HO (Usc/g)	91	-3.22	-54.95			LME Aluminium (US\$/t)	1,508	0.27	-16.71		
Eurobob (US\$/t)	186	0.12	-67.72			LME Zinc (US\$/t)	1,931	0.44	-15.01		
NYMEX RBOB (Usc/g)	72	0.06	-57.57			LME Nickel (US\$/t)	11,773	-0.98	-16.06		
NYMEX NG (US\$/mmbtu)	1.60	-3.15	-27.00			CBOT Corn (Usc/bu)	319	-2.07	-17.67		
TTF Natural Gas (EUR/MWh)	6.65	-3.27	-44.83			CBOT Wheat (Usc/bu)	540	-1.55	-3.31		
API2 Coal (US\$/t)	47	-1.17	-17.84			CBOT Soybeans (Usc/bu)	842	-0.59	-10.71		
Newcastle Coal (US\$/t)	57	-1.38	-17.45			ICE No.11 Sugar (Usc/lb)	10.16	1.09	-24.29		
SGX TSI Coking Coal (US\$/t)	131	-0.24	-7.74			ICE Arabica (Usc/lb)	120	2.56	-7.32		
SGX Iron Ore 62% (US\$/t)	82.95	-0.74	-9.17			ICE London Cocoa (GBP/t)	1,776	-2.04	-2.36		

Source: Bloomberg, ING Research

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