

# The Commodities Feed: Iran attacks, oil rises

Your daily roundup of commodity news and ING views



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## Energy

Oil got a boost higher in early morning trading today, with NYMEX WTI up around 4.5% at the time of writing, following reports that Iran attacked an Iraqi base where US troops are stationed. Reportedly, several rockets were fired at the Ayn al-Asad base. Meanwhile the Pentagon has confirmed that Iran attacked 2 US targets in Iraq. For the oil market, while this is clearly not oil infrastructure, it does little to help ease tensions and worries over oil supply. The obvious concern for markets, is where does this all end? The worry is that we could see more from Iran, provoking US retaliation - a scenario that cannot be ruled out given the warnings from President Trump. If so, the key question is whether any of the 52 sites that President Trump previously identified as targets include Iranian energy facilities. While Iranian oil output has fallen by around 1.7MMbbls/d since early 2018, demonstrating the effectiveness of US sanctions, any potential attack on Iranian oil facilities still leaves up to 2MMbbls/d of oil supply at risk.

Meanwhile the API reported yesterday that US crude oil inventories fell by 5.95MMbbls over the last week, compared to market expectations for a 3.25MMbbls drawdown, according to a Bloomberg survey. On the product side, significant builds were reported for gasoline and distillate fuel oil, with

these increasing by 6.71MMbbls and 6.37MMbbls respectively. These larger-than-expected builds have weighed on product cracks. Later today, the more widely followed EIA numbers will be released, although with developments in the Middle East this morning, the market may show less interest than usual in these numbers.

## Metals

Unsurprisingly reports of retaliation from Iran have seen gold prices this morning surge above US\$1,600/oz, as we see a classic risk-off move, as investors flee towards safe haven assets. Over the last 3 days we have seen gold ETF holdings increase by almost 200koz, leaving total holdings at around 81.76moz. Industrial metal markets are yet to open this morning, however one would expect the flight to safety to put downward pressure on the base metals complex. This is despite fundamentals still looking fairly constructive for some metals. Copper stocks in LME warehouses fell by another 2kt yesterday, taking total withdrawals since August to 197kt, and leaving inventories at just 141kt - levels last seen in March.

Meanwhile LME aluminium was under pressure yesterday, with the cash/3M spread falling to a US\$33/t contango on expectations of seasonal demand weakness and stock building from the Chinese market. Softer alumina prices (leading to better profitability for smelters) and capacity restarts after weather-related disruptions in 2H19 have been supporting the outlook for a recovery in aluminium production over 1H20. Meanwhile, Chalco started bauxite shipments from its 12mtpa Boffa mine earlier this week, which will likely help increase raw material supply this year. China could add around 1.7mtpa of aluminium smelting capacity in 2020, and favourable market conditions would see production recovering along with this.

## Daily price update

|                              | Current | % DoD ch | %YTD ch |                          | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl)         | 68.27   | -0.93    | 3.44    | Spot Gold (US\$/oz)      | 1,574.4 | 0.55     | 3.76    |
| NYMEX WTI (US\$/bbl)         | 62.7    | -0.90    | 2.69    | Spot Silver (US\$/oz)    | 18.4    | 1.40     | 3.10    |
| ICE Gasoil (US\$/t)          | 617     | -0.52    | 0.45    | LME Copper (US\$/t)      | 6,149   | 0.17     | -0.40   |
| NYMEX HO (Usc/g)             | 203     | -0.07    | 0.20    | LME Aluminium (US\$/t)   | 1,816   | -0.93    | 0.33    |
| Eurobob (US\$/t)             | 599     | -1.80    | 3.78    | LME Zinc (US\$/t)        | 2,346   | 0.92     | 3.26    |
| NYMEX RBOB (Usc/g)           | 172     | -1.84    | 1.44    | LME Nickel (US\$/t)      | 13,935  | 0.83     | -0.64   |
| NYMEX NG (US\$/mmbtu)        | 2.16    | 1.26     | -1.23   |                          |         |          |         |
| TTF Natural Gas (EUR/MWh)    | 11.93   | -2.86    | -1.01   | CBOT Corn (Usc/bu)       | 385     | -0.06    | -0.84   |
|                              |         |          |         | CBOT Wheat (Usc/bu)      | 550     | 0.05     | -1.52   |
| API2 Coal (US\$/t)           | 54      | 0.19     | -0.37   | CBOT Soybeans (Usc/bu)   | 935     | 0.24     | -0.85   |
| Newcastle Coal (US\$/t)      | 70      | 0.51     | 0.87    | ICE No.11 Sugar (Usc/lb) | 13.59   | -1.02    | 1.27    |
| SGX TSI Coking Coal (US\$/t) | 153     | 2.01     | 7.77    | ICE Arabica (Usc/lb)     | 122     | 0.20     | -5.63   |
| SGX Iron Ore 62% (US\$/t)    | 92.77   | -0.06    | 1.59    | ICE London Cocoa (GBP/t) | 1,823   | 1.90     | 0.22    |

Source: Bloomberg, ING Research

## Author

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

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