

# The Commodities Feed: Iran attacks, oil rises

Your daily roundup of commodity news and ING views



Source: Shutterstock

## 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		CBOT Corn (Usc/bu)	385	-0.06		-0.84	
TTF Natural Gas (EUR/MWh)	11.93	-2.86		-1.01		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@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).