

The Commodities Feed: Iron ore edges lower

Your daily roundup of commodity news and ING views



China iron ore port inventory (m tonnes)



Source: Bloomberg, SteelHome

Energy

US crude oil inventories: NYMEX WTI has come under some renewed pressure this morning, with

prices edging closer towards US\$55/bbl. This follows the API reporting that US crude oil inventories in Cushing increased by 1.2MMbbls over the last week. Stocks at the WTI delivery hub have been trending higher since late September, which has put pressure on the prompt WTI time spreads, with the December /January spread this month having shifted from backwardation to a contango of US\$0.15/bbl currently.

Meanwhile, today the EIA will release their more widely followed weekly report, and expectations are that total US crude oil inventories increased by around 500MMbbls over the week, according to a Bloomberg survey. Meanwhile on the product side, draws of 2.3MMbbls and 2.4MMbbls are expected for gasoline and distillate fuel oil respectively. If this is the case, we would expect to see some further strength in these cracks.

Metals

ICSG update: The ICSG (International Copper Study Group) updated their figures on Tuesday showing a widening deficit in the global refined copper market over the first seven months of this year compared to the corresponding period of last year (from 237kt to 324kt). However it is important to remember that the group calculates the balance using apparent demand rather than real demand, and so their reported deficit is larger than the actual deficit. The LME copper forward curve remains stubbornly in contango, suggesting no shortage in supply.

Recent price strength in the metal has primarily been driven by disruptions and concerns over supply from Chile, coupled with a pullback in the US dollar index. However underlying concerns over demand with the poorer macro backdrop is still the key theme for the market, despite this short term 'noise'.

Iron Ore weakens: Iron ore prices continued to fall, with SGX prices trading at US\$83/t this morning, prices are down 6.5% since the start of the month, with continued improvement in supply, weak margins and growing stocks. Latest data from Steelhome shows that Chinese port inventories stood at 134mt as of the 25th October, up more than 16% from the lows seen back in early July. Meanwhile, on the demand side, steel mill margins in China remain under pressure, with steel prices continuing with their downtrend.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	61.59	0.03		14.48		Spot Gold (US\$/oz)	1,487.7	-0.32		16.00	
NYMEX WTI (US\$/bbl)	55.54	-0.48		22.31		Spot Silver (US\$/oz)	17.8	-0.21		14.95	
ICE Gasoil (US\$/t)	591	-0.08		15.76		LME Copper (US\$/t)	5,928	0.33		-0.63	
NYMEX HO (Usc/g)	196	-0.28		16.39		LME Aluminium (US\$/t)	1,754	0.98		-4.98	
Eurobob (US\$/t)	569	0.10		18.57		LME Zinc (US\$/t)	2,544	0.02		3.12	
NYMEX RBOB (Usc/g)	169	0.77		27.35		LME Nickel (US\$/t)	16,830	1.14		57.44	
NYMEX NG (US\$/mmbtu)	2.60	6.17		-11.67		CBOT Corn (Usc/bu)	386	0.59		3.00	
TTF Natural Gas (EUR/MWh)	13.83	-3.88		-37.07		CBOT Wheat (Usc/bu)	512	-0.05		1.64	
API2 Coal (US\$/t)	59	0.08		-30.17		CBOT Soybeans (Usc/bu)	918	-0.27		4.05	
Newcastle Coal (US\$/t)	67	-0.52		-33.93		ICE No.11 Sugar (Usc/lb)	12.34	-1.59		2.58	
SGX TSI Coking Coal (US\$/t)	144	-0.46		-31.97		ICE Arabica (USc/lb)	99	-1.54		-2.85	
SGX Iron Ore 62% (US\$/t)	83.83	-0.89		20.67		ICE London Cocoa (GBP/t)	1,915	-0.31		8.44	

Source: Bloomberg, ING Research

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