

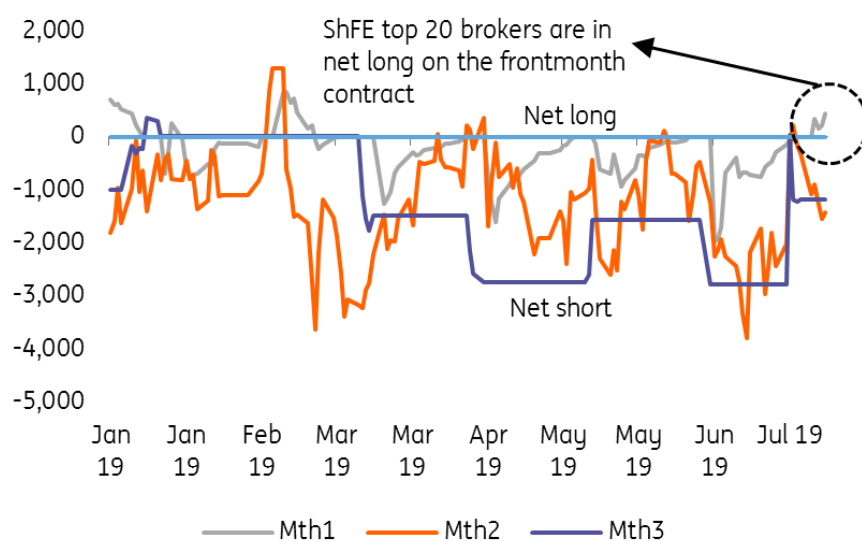
The Commodities Feed: Lead gains momentum

Your daily roundup of commodity news and ING views



Source: Shutterstock

ShFE top 20 brokers lead positions



Source: Bloomberg, ING

Energy

Middle East tensions: The region continued to make headlines over the week; first, with Iran seizing a small cargo ship, the Panamanian flagged Riah, on charges of fuel smuggling in the Persian Gulf and later the US destroying an Iranian drone yesterday which came close to the USS Boxer. ICE Brent reacted positively to the news, up by around 1.5% in the morning session/ However, macro-economic concerns, uncertainty on trade discussions and increasing oil supply from the US continued to weigh on sentiments with ICE Brent down c.5.6% in the week so far. Meanwhile, BSEE reports that only 18.8% (c.355Mbbbl/d) of the oil production in the Gulf of Mexico remains shut as of Thursday.

ARA products inventory: Latest data from Insight Global shows that products inventory at ARA: Europe increased 389kt over the past week to 6.4mt as inflows from Russia, the US and the Middle East have been stronger. Gasoil inventory at ARA: Europe increased by 155kt last week with total gasoil stocks rising to 2,966kt, just marginally below the YTD highs of 2,981kt made in June. Gasoil stocks at ARA have increased by 908kt since the start of the year. Large inventory build of gasoil is likely to weigh on middle distillate cracks in the European market Among other products, gasoline stocks increased 131kt WoW to 1,227kt, Fuel oil inventory rose 91kt WoW to 1,129kt and Jet fuel stocks increased 40kt WoW to 836kt while naphtha inventory was down 228kt WoW to 214kt.

Metals

Nickel's stellar performance: Nickel continues to outperform within the industrial metals complex in both London and Shanghai. What added to the bullishness on Thursday (July 18th) is that a senior Indonesian mining ministry official pledged that authorities would enforce a ban on raw ore exports by 2022 in order to make miners process minerals in the country, according to Reuters. This is old news, but this looks like reinforcement. The market has been looking for catalysts behind the recent rally. However, besides LME stocks running low and remaining a bullish sign, we still think the near term fundamentals do not seem to provide a solid rationale to such a strong

performance. Chinese CTAs and high-frequent traders are said to be the key driving forces behind all this. Current prices look overdone and have a speculative nature and one needs to be cautious for a potential sudden pullback if and when the longs take profit and cash positions.

Lead gains momentum: Lead has been the second-best performer after nickel over the past two weeks. In our view, they share some similarities in terms of their short term markets, although their longer term outlook appears to be in the opposite direction. Last week we warned LME near dated spread flipped to a small backwardation and remained there briefly. As stocks continue to run lower, in fact reaching 10-year lows, there might be a danger of a squeeze. Some stocks were delivered last Thursday, and the spread has since eased. Looking at ShFE, recent prices are in defiance of surging stocks, and both open interest and volume have risen. What remains a cautious sign is the top 20 brokers have returned to net longs on the near dated contract. Despite lead's demand being in a seasonal low, the low LME stocks, recent news on Chinese smelters' cuts, plus lower primary production numbers in recent months any bullish signals could well be noticed by speculators.

Agriculture

US exports and sales: Data from USDA shows that the US exports of corn and soybean remained soft for the past week even though the US and China were seen talking to each other during trade discussions. Corn net sales were reported at 333kt compared to 1,177kt a year ago; corn exports also softened to 682kt compared to 1,406kt exported for the same week last year. Lower shipments and wet weather following storm Barry put pressure on CBOT corn prices which fell around 5% in the week so far. Soybean net sales were reported to be at 326kt as against the 811kt of sales last year, while exports were better at 909kt compared to 597kt for the same week last year.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 61.93 | -2.72 | 15.11 | Spot Gold (US\$/oz) | 1,446.1 | 1.37 | 12.76 |
| NYMEX WTI (US\$/bbl) | 55.3 | -2.61 | 21.78 | Spot Silver (US\$/oz) | 16.4 | 2.39 | 5.52 |
| ICE Gasoil (US\$/t) | 569 | -2.40 | 11.40 | LME Copper (US\$/t) | 5,983 | 0.05 | 0.30 |
| NYMEX HO (USc/g) | 186 | -1.59 | 10.81 | LME Aluminium (US\$/t) | 1,854 | 0.38 | 0.43 |
| Eurobob (US\$/t) | 630 | -0.90 | 31.43 | LME Zinc (US\$/t) | 2,465 | -0.38 | -0.08 |
| NYMEX RBOB (USc/g) | 183 | -2.37 | 38.57 | LME Nickel (US\$/t) | 14,860 | 2.84 | 39.01 |
| NYMEX NG (US\$/mmbtu) | 2.29 | -0.74 | -22.21 | CBOT Corn (USc/bu) | 425 | -2.64 | 13.20 |
| TTF Natural Gas (EUR/MWh) | 10.74 | -2.29 | -51.16 | CBOT Wheat (USc/bu) | 494 | -2.37 | -1.94 |
| API2 Coal (US\$/t) | 62 | 0.49 | -28.44 | CBOT Soybeans (USc/bu) | 881 | -0.14 | -0.14 |
| Newcastle Coal (US\$/t) | 75 | -0.27 | -26.04 | ICE No.11 Sugar (USc/lb) | 11.55 | -2.04 | -3.99 |
| SGX TSI Coking Coal (US\$/t) | 175 | -2.03 | -17.64 | ICE Arabica (USc/lb) | 107 | 1.13 | 5.20 |
| SGX Iron Ore 62% (US\$/t) | 114.60 | -0.94 | 64.96 | ICE London Cocoa (GBP/t) | 1,833 | -0.16 | 3.79 |

Source: Bloomberg, ING

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