

# The Commodities Feed: Long awaited US oil drawdowns

Your daily roundup of commodity news and ING views



Source: Shutterstock

## Energy

Looking at where oil markets settled yesterday, one wouldn't have thought that the EIA reported the first drawdown in US crude oil inventories since mid-January. US crude oil inventories declined by a modest 745Mbbbls over the week, while stocks at Cushing, the WTI delivery hub, fell by a little over 3MMbbbls, which is the biggest weekly drawdown at Cushing so far this year. To add to the more supportive numbers, gasoline inventories also fell by 3.51MMbbbls over the week, whilst gasoline demand (product supplied) increased by 734Mbbbls/d to average 7.4MMbbbls/d. Gasoline demand has now increased by more than 2.3MMbbbls/d since the lows seen in early April. However, there is still some way to go before returning to normal, with pre-Covid-19 gasoline demand in the US at 9MMbbbls/d +.

Sticking with demand, and yesterday the Saudi and Russian energy ministers released a joint statement, where they said they were happy with some indicators which show that global oil demand is starting to recover, and concerns over storage limitations are easing, as countries exit strict lockdowns. The ministers also used the statement as an opportunity to emphasise their commitment to the OPEC+ deal, along with the belief that other OPEC+ members will comply with

the deal.

OPEC released its monthly market report yesterday, and this made for bearish reading, with the group making some large revisions to its demand estimates for this year. The group estimate that oil demand over 2Q20 will fall by 17.26MMbbls/d YoY. Full-year 2020 demand is now expected to be down 9.07MMbbls/d YoY, compared to a previous forecast of a 6.85MMbbls/d YoY decline. This revision lower in demand means that the call on OPEC output will also be lower, despite revisions lower in non-OPEC supply. Over 2Q20, demand for OPEC oil is just 16.77MMbbls/d, well below OPEC output levels, even when full compliance of OPEC+ cuts are taken into consideration.

## Metals

In precious metals, gold prices traded higher, following comments from the US Fed. While palladium came under pressure, down as much as 4% at one stage, and trading below US\$1,800/oz. Palladium prices have fallen around 35% from the recent highs seen in February, given the pressure that the global auto industry is under at the moment - a key source of demand for palladium. One major palladium producer, Norilsk Nickel expects a balanced market for palladium in 2020 due to a combination of higher output from South African producers and weaker demand from the auto industry.

In base metals, prices remained under pressure, along with other risk assets, with negative comments from the US Fed stating that the US could face an 'extended period' of weak growth, while worries over a possible second wave of Covid-19 are not helping sentiment.

Meanwhile, LME copper inventories have continued to decline, and again this is mainly occurring at Asian warehouses. Up until now though, these stock drawdowns are not having too much of an impact on LME copper spreads, with the cash/3m spreads still in deep contango. In China, the spread between bare bright wire and cathode has closed. The scrap import market is expected to improve as supply chains start to recover. We expect higher scrap shipments from Malaysia and Europe to China from May, but can't rule out tightness to persist for the full-year view.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	29.19	-2.64		-55.77		Spot Gold (US\$/oz)	1,716.3	0.80		13.12	
NYMEX WTI (US\$/bbl)	25.29	-1.90		-58.58		Spot Silver (US\$/oz)	15.6	0.86		-12.72	
ICE Gasoil (US\$/t)	245	2.19		-60.06		LME Copper (US\$/t)	5,224	-0.62		-15.39	
NYMEX HO (USc/g)	83	-0.83		-59.01		LME Aluminium (US\$/t)	1,480	0.17		-18.23	
Eurobob (US\$/t)	221	-6.00		-61.77		LME Zinc (US\$/t)	1,975	-1.50		-13.07	
NYMEX RBOB (USc/g)	85	-7.16		-49.78		LME Nickel (US\$/t)	12,254	-0.57		-12.63	
NYMEX NG (US\$/mmbtu)	1.62	-6.05		-26.18							
TTF Natural Gas (EUR/MWh)	5.12	-3.65		-57.52		CBOT Corn (USc/bu)	320	-1.08		-17.41	
						CBOT Wheat (USc/bu)	511	-2.16		-8.64	
API2 Coal (US\$/t)	43	0.23		-24.12		CBOT Soybeans (USc/bu)	836	-1.56		-11.35	
Newcastle Coal (US\$/t)	55	1.75		-20.20		ICE No.11 Sugar (USc/lb)	10.26	0.10		-23.55	
SGX TSI Coking Coal (US\$/t)	119	2.56		-16.25		ICE Arabica (USc/lb)	104	-1.94		-20.16	
SGX Iron Ore 62% (US\$/t)	88.17	1.04		-3.45		ICE London Cocoa (GBP/t)	1,991	-1.87		9.46	

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 <http://www.ing.com>.