

The Commodities Feed: Middle East tension

Your daily roundup of commodity news and ING views



Source: Shutterstock

Record Chinese steel output (m tonnes)



Source: NBS, Bloomberg, ING Research

Energy

Growing tensions in the Middle East: ICE Brent rallied back well above US\$71/bbl yesterday, following reports of an attack on the key East-West Pipeline, which has forced it to temporarily shut. Yemen's Houthi rebels claimed responsibility for the attack. The pipeline has a capacity of 5MMbbls/d, but reportedly less than 50% of the pipeline's capacity is used. The pipeline offers an alternative route for crude oil exports through the port of Yanbu on the West Coast, rather than going through the Strait of Hormuz in the East. The pipeline also feeds refineries in Yanbu. The Saudi Energy Minister has said that exports of both crude oil and refined products continue uninterrupted despite the attack.

US crude oil inventories: The API reported yesterday that US crude oil inventories increased by 8.63MMbbls over the last week, which was very different from the 1.2MMbbls drawdown that the market was expecting, according to a Bloomberg survey. Meanwhile, the API also reported that gasoline and distillate fuel oil saw stock builds of 567Mbbbls and 2.17MMbbls, respectively. The more widely followed EIA report will be released later today and numbers similar to the API would likely be seen as bearish in the immediate term.

Metals

Chinese metal output: Chinese steel production increased 13% YoY to a record high of 85.03mt in April, with steel mills increasing utilisation rates on the back of stronger margins. Cumulative output over the first four months of the year is up 10% YoY to total 315mt. Margins moving forward though could come under pressure, with the more recent strength in Chinese steel prices reflecting stock building following the Chinese New Year.

Aluminium output in the country also increased 3.9% YoY to 2.92mt over the month (97.3kt per day), while cumulative production over the first four months of 2019 totalled 11.5mt, up 4.1% YoY.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	71.24	1.44	32.42			Comex Silver (US\$/oz)	14.8	0.27	-5.07		
NYMEX WTI (US\$/bbl)	61.78	1.21	36.05			LME Copper (US\$/t)	6,027	0.27	1.04		
ICE Gasoil (US\$/t)	636	-0.47	24.57			LME Aluminium (US\$/t)	1,845	1.96	-0.08		
NYMEX HO (Usc/g)	206	1.01	22.50			LME Zinc (US\$/t)	2,594	1.05	5.15		
Eurobob (US\$/t)	691	0.43	44.09			LME Nickel (US\$/t)	11,920	1.14	11.51		
NYMEX RBOB (Usc/g)	198	0.66	49.33			CBOT Corn (Usc/bu)	361	3.74	-3.87		
NYMEX NG (US\$/mmbtu)	2.66	1.45	-9.56			CBOT Wheat (Usc/bu)	439	1.86	-12.72		
API2 Coal (US\$/t)	63	1.53	-25.80			CBOT Soybeans (Usc/bu)	818	3.38	-7.34		
NYMEX Coking Coal (US\$/t)	209	0.00	-8.28			ICE No.11 Sugar (Usc/lb)	11.94	0.84	-0.75		
						ICE Arabica (Usc/lb)	90	1.47	-12.08		
						ICE London Cocoa (GBP/t)	1,768	-4.69	0.11		

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

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>.