

The Commodities Feed: More US LNG to Europe

Your daily roundup of commodities news and ING views



Energy

The oil market came under some pressure yesterday. ICE Brent settled a little more than 2% lower on the day, which saw it close below \$120/bbl. This weakness has continued in early morning trading in Asia today. It is still looking unlikely that the EU will go the route of an all-out ban on Russian oil. Austria is the latest EU member to say it will not agree to a ban.

Crude loadings have partially resumed at the CPC terminal on Russia's Black Sea coast. The terminal had sustained damage from bad weather, halting loadings. One of the three moorings at the terminal is operational.

Another development that would have put some pressure on the market is the fact that ICE increased margins for ICE Brent by 19% to US\$11,920 per contract. This obviously makes it more expensive for market participants to trade. This move will do little to help open interest, which has been in steep decline since mid-February and is basically at the lowest level we have seen since 2015. Falling market liquidity means that the market will likely continue to trade in a volatile manner.

There are reports that a deal between the US and the EU will see up to 15bcm of additional US LNG

supplied to Europe in 2022. The deal is expected to be announced on Friday. While US LNG export terminals are operating near capacity, there will be a ramp-up of some new capacity over the course of the year. An increase of 15bcm from 2021 levels (when 22bcm was exported to the EU) should be achievable, particularly if we continue to see the strong flows that we have seen so far this year. However, it still falls well short of replacing Russian gas imports, which amounted to around 155bcm in 2021.

Metals

A series of summits this week between President Biden and EU members which discussed the potential for further sanctions against Russia has kept markets on tenterhooks. While the most recent run of US data is believed to endorse a [more hawkish stance from the Fed to hike more aggressively at its next meeting](#).

Base metals slipped in London yesterday with the exception of nickel, which saw 3M prices hitting the daily up-limit of 15% for a second day. Short-term price action still appears to be decoupled from the fundamentals amid market disarray. The catalyst for the rally yesterday appears to be short-covering. According to reports, Tsingshan bought back and closed out some of its short positions.

As for the China market, the ongoing Covid outbreak continues to see disruptions to both supply and demand for metals, but there is not yet a clear view regarding the net effect. During the week, aluminium billet and ingot inventories continued to decline. In addition, a wire and cable producer based in Hebei Province reportedly suspended operations after Tangshan city was put under emergency mode and logistical constraints disrupted raw material supply.

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>.