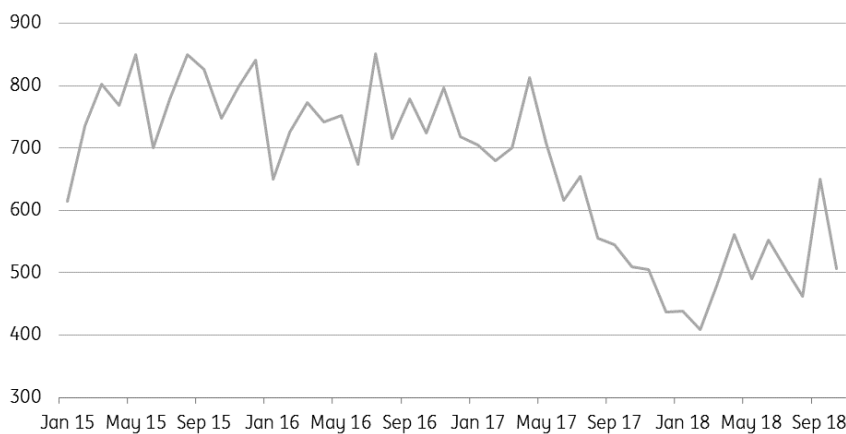


The Commodities Feed: More US sanctions

Your daily roundup of commodity news and ING views



US imports of Venezuelan oil (Mbbbls/d)



Source: EIA, ING Research

Energy

US sanctions on Venezuelan oil: The US Treasury announced yesterday that it was imposing sanctions on the Venezuelan state-owned oil company, PDVSA, effectively bringing US purchases

of Venezuelan oil to an end. US refiners over 2018 imported on average 514Mbbbls/d, with refiners in the US Gulf Coast relying on this heavier crude. This will mean that these refiners will have to turn increasingly towards supply from Canada and the Middle East, although this comes at a time when we are seeing output cuts from both regions. The announcement has not had a significant impact on prices, with Venezuela likely to increase its sales outside the US, however exports to several countries, such as China, go towards debt repayment.

Saudis set to cut more: Under the OPEC+ output cut deal that came into force at the start of this year, Saudi Arabia agreed to cut output by 322Mbbbls/d from October levels of 10.63MMbbbls/d to 10.31MMbbbls/d. However, the Saudis once again seem set to cut more than needed. Previously, the Saudi Energy Minister had said that output over January would average 10.2MMbbbls/d, whilst yesterday in an interview the minister said that the Kingdom is likely to cut output to 10.1MMbbbls/d over February, and that output will remain well below the agreed cap for the six month period. These deeper than expected cuts will certainly help offset the slow start that we have seen from Russia, which expects January output to be 50Mbbbls/d lower than its October levels, compared to an agreed 230Mbbbls/d.

Metals

LME allows Rusal material: Following the removal of US sanctions against Rusal, the LME has allowed Rusal aluminium to be delivered into LME warehouses with immediate effect - Rusal deliveries had been blocked since April 2018 due to sanctions. LME deliverability provides a quick destination for any of Rusal's unsold aluminium inventory. LME aluminium stocks have increased from 1.04mt in early December to 1.3mt currently and Rusal material could now see this increase further.

Macro events: President Trump and Chinese Vice-Premier Liu He are scheduled to meet later this week following high-level trade talks between the two countries. There is only one month left before increased US duties come into force, and so this is a crucial meeting. Uncertainty around these trade talks is likely to keep metal speculators on the sidelines, whilst in China, activities are likely to wind down ahead of the Chinese New Year. Furthermore, the US Federal Reserve meeting is scheduled for tomorrow, and expectations are for no hike in interest rates.

Agriculture

US grain inspections and trade talks: Latest data from the USDA shows that 929kt of US soybeans were inspected over the last week for export, this compares to 1.13mt in the previous week. Of this 929kt, 342kt was inspected for export to China, a clear sign that sales to China continue to pick up, following the ongoing trade talks between both China and the US. Further talks will be held later this week in the US, and the WSJ reports that China will offer the US a further increase in US farm product purchases.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|----------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 59.93 | -2.77 | 11.39 | Comex Silver (US\$/oz) | 15.8 | 0.42 | 1.45 |
| NYMEX WTI (US\$/bbl) | 51.99 | -3.17 | 14.49 | LME Copper (US\$/t) | 6,002 | -0.89 | 0.62 |
| ICE Gasoil (US\$/t) | 556 | -2.20 | 8.76 | LME Aluminium (US\$/t) | 1,867 | -2.76 | 1.14 |
| NYMEX HO (Usc/g) | 184 | -2.86 | 9.33 | LME Zinc (US\$/t) | 2,680 | 0.26 | 8.63 |
| Eurobob (US\$/t) | 486 | -0.62 | 1.25 | LME Nickel (US\$/t) | 11,825 | -1.17 | 10.62 |
| NYMEX RBOB (Usc/g) | 133 | -4.05 | 0.71 | | | | |
| NYMEX NG (US\$/mmbtu) | 2.91 | -8.40 | -0.99 | CBOT Corn (Usc/bu) | 380 | -0.13 | 1.27 |
| | | | | CBOT Wheat (Usc/bu) | 519 | -0.24 | 3.08 |
| API2 Coal (US\$/t) | 82 | -1.21 | -5.39 | CBOT Soybeans (Usc/bu) | 923 | -0.22 | 4.62 |
| NYMEX Coking Coal (US\$/t) | 198 | 0.00 | -12.90 | ICE No.11 Sugar (Usc/lb) | 12.79 | 2.81 | 6.32 |
| | | | | ICE Arabica (Usc/lb) | 103 | -3.89 | 0.79 |
| | | | | ICE London Cocoa (GBP/t) | 1,607 | 0.37 | -9.00 |

Source: Bloomberg, ING Research

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