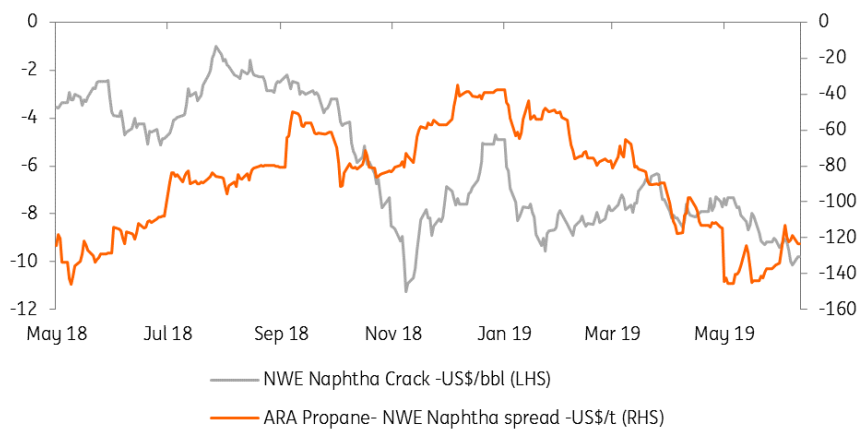


The Commodities Feed: Naphtha remains under pressure

Your daily roundup of commodity news and ING views



Naphtha cracks weaker



Source: Bloomberg, ING Research

Energy

US oil inventories: The API is scheduled to release weekly US oil inventory numbers today. The market is expecting that crude inventories declined by 1.25MMbbls over the last week while expectations are for builds of 1MMbbls and 1.1MMbbls in gasoline and distillate fuel oil, respectively. The EIA will also be releasing its latest Short Term Energy Outlook today- last month the EIA was forecasting US oil output for 2019 and 2020 of 12.44MMbbls/d and 13.38MMbbls/d, respectively.

Naphtha remains under pressure: European naphtha cracks have come under further pressure in recent days, with the NW Europe crack trading below a US\$10/bbl discount at one stage late last week. A factor that certainly is not helping is the relative weakness in the propane market, with propane trading at more than a US\$120/t discount to naphtha, and therefore attractive for the petchem sector. Light ends in general have come under pressure recently, with NW Europe gasoline cracks having weakened significantly in recent days. The previously strong flows of gasoline that we saw from Europe to the Americas in prior months has come to an end, which saw a big build-up of gasoline stocks in the ARA region last week.

Metals

China metals trade: China's aluminium exports increased 7.6% month-on-month to 536kt in May with shipments up 13% year-on-year to 2.5mt over the first five months of 2019 due to a weaker RMB, VAT cuts and frontloading on exports. Among other metals, steel exports were down 9% MoM to total 5.74mt, while iron ore imports over the month increased 3.7% MoM to reach 83.8mt. However, this is still more than 10mt less than what was imported in the same month last year, whilst cumulative imports in the first five months of the year are down 5.2% YoY- reflecting the supply disruptions that we have seen over the year from both Brazil and Australia.

Central bank gold purchases: China added 0.51mOz of gold to its reserves in May, taking total reserves to 61.61mOz. This is the sixth consecutive month of gold purchases from the People's Bank of China, having added 2.37mOz of gold since November 2018. Deteriorating trade relations between China and the US mean that this gold buying could continue moving forward, as China diversifies away from the US dollar. More generally, gold has re-emerged as a safe haven asset, with holdings in gold ETFs having increased by 1.37mOz since the start of the month, leaving total holdings at a little over 72mOz.

Agriculture

US crop progress: Corn and soybean plantings accelerated over the last week as weather turned drier with 83% of corn planted as of 9 June, this is up from 67% in the previous week, however it still lags the five-year average of 99% at this stage of the year. Also as of 9 June, some 60% of soybean area was planted, up from 39% the week before, but similar to corn, this still lags significantly behind the five-year average of 88%. The USDA will be releasing its monthly WASDE report later today and the market will be watching very closely to see what downward revisions the agency makes as a result of the very slow pace of planting this year. According to a Bloomberg survey, expectations for US corn production in the 19/20 season is for an average of a little over 14b bushels, which would be down by around 1b bushels from what the USDA was forecasting in May.

Daily price update

| | Current | % DoD | ch | %YTD | ch | | Current | % DoD | ch | %YTD | ch |
|------------------------------|---------|-------|----|--------|----|--------------------------|---------|-------|----|-------|----|
| ICE Brent (US\$/bbl) | 62.29 | -1.58 | | 15.78 | | Spot Gold (US\$/oz) | 1,328.0 | -0.96 | | 3.55 | |
| NYMEX WTI (US\$/bbl) | 53.26 | -1.35 | | 17.29 | | Spot Silver (US\$/oz) | 14.7 | -2.11 | | -5.11 | |
| ICE Gasoil (US\$/t) | 559 | 0.22 | | 9.50 | | LME Copper (US\$/t) | 5,874 | 1.29 | | -1.53 | |
| NYMEX HO (Usc/g) | 181 | -1.01 | | 7.47 | | LME Aluminium (US\$/t) | 1,775 | 0.62 | | -3.85 | |
| Eurobob (US\$/t) | 593 | -0.68 | | 23.72 | | LME Zinc (US\$/t) | 2,476 | -0.32 | | 0.36 | |
| NYMEX RBOB (Usc/g) | 173 | -0.49 | | 30.72 | | LME Nickel (US\$/t) | 11,646 | 0.25 | | 8.94 | |
| NYMEX NG (US\$/mmbtu) | 2.36 | 0.86 | | -19.83 | | CBOT Corn (Usc/bu) | 416 | 0.00 | | 10.87 | |
| TTF Natural Gas (EUR/MWh) | 11.80 | 2.47 | | -46.30 | | CBOT Wheat (Usc/bu) | 508 | 0.59 | | 0.84 | |
| API2 Coal (US\$/t) | 56 | 1.74 | | -35.20 | | CBOT Soybeans (Usc/bu) | 859 | 0.26 | | -2.72 | |
| Newcastle Coal (US\$/t) | 76 | 2.30 | | -25.30 | | ICE No.11 Sugar (Usc/lb) | 12.40 | -0.80 | | 3.08 | |
| SGX TSI Coking Coal (US\$/t) | 195 | 0.00 | | -8.02 | | ICE Arabica (Usc/lb) | 99 | -2.33 | | -3.19 | |
| SGX Iron Ore 62% (US\$/t) | 97.17 | 1.75 | | 39.87 | | ICE London Cocoa (GBP/t) | 1,832 | 1.89 | | 3.74 | |

Source: Bloomberg, ING Research

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