

The Commodities Feed: Nickel spreads tighten

Your daily roundup of commodity news and ING views



Nickel's poor performance in 2023 has been driven by a supply surge from Indonesia

LME Nickel December 19 - December 20 spread (US\$/t)



Source: Bloomberg, ING Research

Energy

Market pressure: ICE Brent is set to finish the week marginally higher, but firmly below US\$60/bbl, as a swathe of negative macro news continues to weigh on the market. As clearly demonstrated recently, it will likely be broader macro and trade developments which dictate price action in the near term. The supply side of the equations seems to be largely ignored.

OPEC is scheduled to release its monthly oil market report today, and the market will be watching closely for any revisions lower in their demand growth estimates for this year and 2020. Currently, they are estimating that oil demand will grow by 1.14MMbbls/d in both 2019 and 2020. For comparison, the IEA are currently forecasting demand growth of 1.1MMbbls in 2019 and 1.3MMbbls/d in 2020.

Product inventories: Latest data from Insights Global shows that refined product inventories in the ARA region declined by 160kt over the last week to total 6.22mt. The decline was led by fuel oil, with stocks falling by 116kt to total 1.06mt. HSFO cracks in Europe have come under significant pressure since the start of the month, falling from a little over a US\$6/bbl discount to a US\$17/bbl discount currently. It does appear that we are starting to see the impact of upcoming IMO shipping regulation feeding through to prompt fuel oil cracks.

Meanwhile, in Asia, International Enterprise Singapore reports that product inventories in Singapore fell by 1.59MMbbls to 40.49MMbbls. Fuel oil stocks fell by 2.18MMbbls to 19.74MMbbls. While middle distillate stocks increased by 1.07MMbbls to total 10.96MMbbls, although middle distillate inventories remain below the 5-year average. Finally, light distillate stocks declined by 486Mbbbls over the week to total 9.79MMbbls.

Metals

Nickel spreads tighten: Nickel's forward curve has seen a dramatic change over the last couple of days. The frontend of the curve is flipping into backwardation. On Monday, the cash-3-month spread was \$30 contango while by Thursday evening it was trading at \$40 backwardation. The Dec19-Dec20 spread was valued at \$240 contango on Tuesday, tightened to \$150 contango on Wednesday and further squeezed to \$70 contango on Thursday. This implies massive spread borrowing along the curve. Currently, LME nickel inventory levels are at their lowest level since mid-2015- consistently edging lower. The tightening of the front end of the curve with low stocks does not bode well for those shorts in the nearby prompt dates, with the potential for a further squeeze.

China mine inspections: China's National Coal Mine Safety Administration said that the country will carry out coal mine inspections across the nation between late August and the end of September, in order to check for illegal production and ensure safe and stable operations at mines ahead of the 70th-anniversary celebrations of People's Republic. Mine inspections could weigh on output in the coming weeks.

Meanwhile, data from China's National Bureau of Statistics shows that refined zinc output in the country was largely flat MoM (+17% YoY) at 512kt in July, while the cumulative output is up 6.1% YoY to total 3.44mt over the first seven months of the year, thanks to higher treatment charges. Refined lead and refined copper output were also largely flat MoM at 472kt and 801kt respectively in July.

Agriculture

US weather: Data from the US Drought Monitor shows that more than 25% of the country was abnormally dry or in some phase of drought as on 13 August 2019, up from around 19% over the previous week. Rains have been low over the previous week and the outlook for the week of 15-20 August is not very hopeful either, with most of the country likely to see above-normal temperatures. Given the weather situation, USDA's weekly crop progress report could continue to show slower development of the current corn and soybean crop, and offer support to prices, after a surprisingly bearish WASDE release earlier in the week.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	58.23	-2.10	8.23	Spot Gold (US\$/oz)	1,523.3	0.46	18.78
NYMEX WTI (US\$/bbl)	54.47	-1.38	19.95	Spot Silver (US\$/oz)	17.3	0.28	11.43
ICE Gasoil (US\$/t)	560	-0.18	9.64	LME Copper (US\$/t)	5,751	-0.24	-3.59
NYMEX HO (Usc/g)	181	-1.79	7.73	LME Aluminium (US\$/t)	1,782	0.39	-3.47
Eurobob (US\$/t)	587	-1.13	22.42	LME Zinc (US\$/t)	2,264	0.35	-8.23
NYMEX RBOB (Usc/g)	164	-2.35	23.62	LME Nickel (US\$/t)	16,250	1.75	52.01
NYMEX NG (US\$/mmbtu)	2.23	4.15	-24.08				
TTF Natural Gas (EUR/MWh)	11.22	0.38	-48.94	CBOT Corn (Usc/bu)	361	0.49	-3.80
				CBOT Wheat (Usc/bu)	469	-1.00	-6.81
API2 Coal (US\$/t)	58	-1.71	-32.97	CBOT Soybeans (Usc/bu)	858	-0.35	-2.78
Newcastle Coal (US\$/t)	66	-4.23	-35.21	ICE No.11 Sugar (Usc/lb)	11.63	0.17	-3.33
SGX TSI Coking Coal (US\$/t)	157	0.42	-25.76	ICE Arabica (Usc/lb)	95	0.11	-7.17
SGX Iron Ore 62% (US\$/t)	86.46	-2.14	24.46	ICE London Cocoa (GBP/t)	1,646	-1.32	-6.80

Source: Bloomberg, ING Research

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