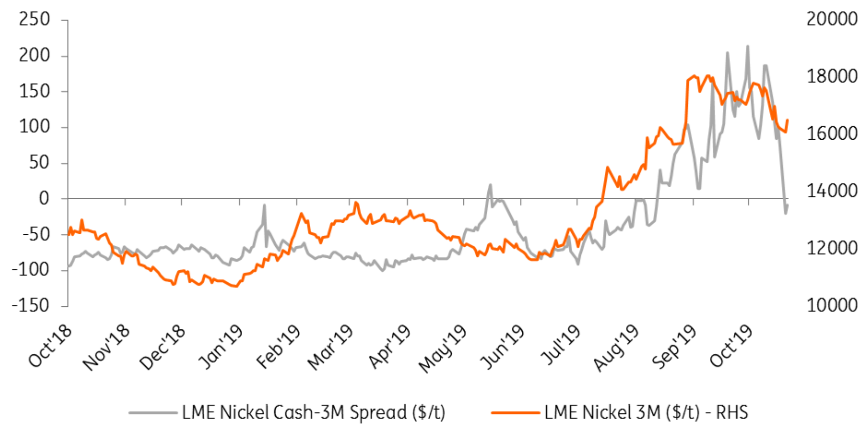
The Commodities Feed: Nickel spreads weaken

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 spreads weaken



Source: Bloomberg, ING Research

Energy

OPEC cuts & Saudi Aramco IPO: Oil prices bounced higher yesterday after Reuters reported that OPEC+ is considering making deeper cuts into 2020, with worries over slowing demand growth. However, the first aim will be to get other OPEC members who are not complying with the deal to do so. Any decision on deeper cuts will likely only be made at the OPEC meeting in early December, and so expect plenty of noise between now and then. The news yesterday did see a bounce

The key issue for OPEC+ is who would be willing to cut output even more. The group and its allies under the current deal agreed to cut output by 1.2MMbbls/d, and it will be a struggle to get members to cut a significant amount more, particularly if you have some members who are not pulling their weight when it comes to cuts. Saudi Arabia so far this year has carried the deal, cutting by significantly more than agreed, and looking forward one would expect again that the Saudis will be the ones who have to make the bulk of the cuts. However, with reports that Saudi Aramco is looking at an IPO still this year, this does possibly mean that their desire to support oil prices may not be as strong post IPO.

US crude oil inventories: The API reported yesterday that US crude oil inventories increased by 4.45MMbbls over the last week, which was more than the 3MMbbls increase that the market was expecting. Meanwhile, on the products side, gasoline and distillate fuel oil inventories decreased by 702Mbbls and 3.49MMbbls respectively. The draws in distillates should continue to provide support to middle distillate cracks, with US inventories now some distance below the 5-year average. The more widely followed EIA report will be released later today, and a crude build similar to the API could put immediate renewed pressure on the crude market.

Metals

Nickel balance: In its latest forecasts, the INSG has revised lower its supply deficit estimate for nickel to 79kt in 2019, compared to their previous forecast in May of 84kt. Global primary nickel production is estimated to rise by 8.52% YoY to 2.37mt in 2019, while primary usage is expected to pick-up by 5.2% YoY to 2.45mt for the current year. There is more uncertainty as we move into 2020, but with the Indonesian ore ban brought forward to January 2020, expectations would be for a decline in mine supply. Meanwhile, the LME Nickel cash/3m spread shifted to a contango of US$9/t yesterday, compared to a backwardation of more than US$200/t at the start of this month. The recent weakness in the spread is more in line with the weak physical market, driven largely by the stainless steel market.

ILZSG market balance: Latest data from the ILZSG shows that the global zinc market deficit shrank to 119kt during the first eight months of the year, compared to a deficit of 134kt in 1H19, and a deficit of 219kt during the same time period last year. The shrinking deficit is largely driven by increased Chinese output, driven by healthy treatment charge. The lead market remained in a deficit of 31.3kt in August, while the YTD deficit of 48kt during Jan-Aug 2019, is quite a bit higher than the 11kt deficit seen over the same period last year.

Agriculture

Further soybean buying: Soybean prices continued to strengthen yesterday, and this strength has continued this morning, with media reports that the Chinese government has provided further tariff waivers to importers of US soybeans. The waivers this time around amount to 10mt, and

Chinese buyers have already purchased at least 3 cargoes so far as a result. If these full waivers are used, along with previous waivers, US soybean export sales to China should easily exceed the 13.37mt exports in the previous marketing year.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**59.7**	1.26	10.97	Spot Gold (US$/oz)	**1,487.7**	0.21	16.00
NYMEX WTI (US$/bbl)	**54.16**	1.59	19.27	Spot Silver (US$/oz)	**17.5**	-0.22	13.08
ICE Gasoil (US$/t)	**593**	1.89	16.10	LME Copper (US$/t)	**5,818**	-0.17	-2.46
NYMEX HO (Usc/g)	**194**	0.16	15.64	LME Aluminium (US$/t)	**1,719**	-0.58	-6.88
Eurobob (US$/t)	**561**	0.01	17.04	LME Zinc (US$/t)	**2,468**	-0.22	0.02
NYMEX RBOB (Usc/g)	**161**	0.11	21.55	LME Nickel (US$/t)	**16,500**	2.48	54.35
NYMEX NG (US$/mmbtu)	**2.27**	1.52	-22.72				
TTF Natural Gas (EUR/MWh)	**15.60**	-0.09	-29.05	CBOT Corn (Usc/bu)	**388**	0.19	3.47
				CBOT Wheat (Usc/bu)	**518**	-1.05	2.93
API2 Coal (US$/t)	**62**	-1.50	-26.51	CBOT Soybeans (Usc/bu)	**934**	0.08	5.84
Newcastle Coal (US$/t)	**69**	-0.50	-31.71	ICE No.11 Sugar (Usc/lb)	**12.18**	-0.73	1.25
SGX TSI Coking Coal (US$/t)	**149**	-1.15	-29.63	ICE Arabica (USc/lb)	**99**	2.65	-2.90
SGX Iron Ore 62% (US$/t)	**83.56**	1.58	20.28	ICE London Cocoa (GBP/t)	**1,870**	-0.53	5.89

Source: Bloomberg, ING Research

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