

The Commodities Feed: No respite for oil

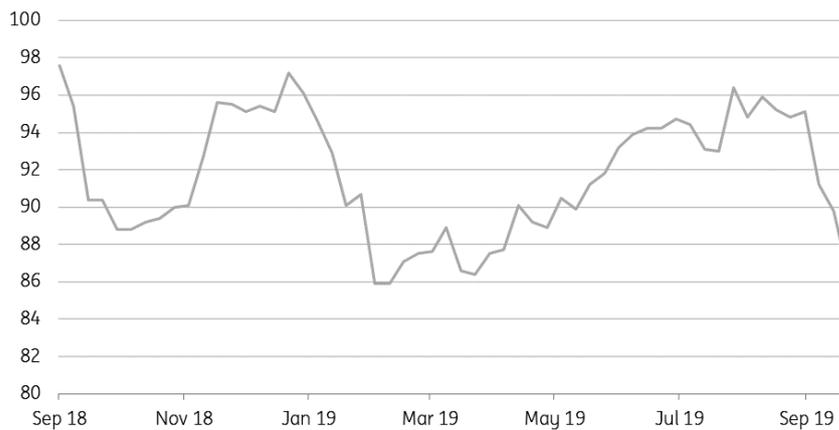
Your daily roundup of commodity news and ING views



Oil prices have sold off aggressively

Source: Shutterstock

US refinery utilisation rate (%)



Source: EIA

Energy

No respite for oil: The oil market continues to grind lower, with ICE Brent now trading well below

US\$58/bbl- which is 4.5% below where the market was trading prior to the Saudi attack. Negative macro data this week, with the US ISM manufacturing report falling to a 10-year low, has not helped.

Timespreads also continue to trend lower, with the Brent Dec/Jan spread having fallen from a backwardation of US\$1.13/bbl at the time of the attack, to just US\$0.62/bbl currently- which is more aligned with levels it was trading at prior to the attack.

Meanwhile, yesterday's downward pressure was largely a result of EIA numbers, which reported that US crude oil inventories increased by 3.1MMbbls over the last week, very different from the 5.9MMbbls draw that the API reported the previous day. A key factor behind the build was the decline that we saw in refinery utilisation rates, which fell by 3.4 percentage points to 86.4% for the week- levels last seen back in late March. This saw crude oil inputs for refineries fall by 496Mbbbls/d over the week. On the product side, gasoline and distillate fuel oil inventories fell by 228Mbbbls and 2.42MMbbls, respectively.

European gas inventories: The new gas year started this week, and in the EU we will be going into the heating season with inventories at a five-year high at least. The build in stocks has been driven by strong LNG inflows for much of the year. Although in recent months these inflows have slowed down considerably, with the arb in Asia once again more attractive. With lower LNG volumes coming into Europe, along with stronger heating demand, we expect European gas prices to be fairly well supported moving forward.

Metals

China zinc treatment charges: SMM data shows that treatment charges for imported zinc concentrate into China have increased from US\$240/t in September to US\$280/t currently on increasing demand for smelting capacity in the country. Zinc smelters were reported to be operating at a utilisation rate of 82.1% in August, the highest operating rates since November 2017 due to improved supply of mined ore and the strength in treatment charges. China's refined zinc production recovered to more than a one-year high of 528kt in August, and higher treatment charges suggest that production will remain strong for the rest of the year.

Gold recovery: Gold prices have recovered back towards the US\$1,500/oz mark, on the back of weaker economic data from the US and the increasing probability of another Fed rate cut. The ISM manufacturing PMI in the US dropped to 47.8 in September, its lowest level in a decade as the trade war continues to keep manufacturers cautious while the ADP employment report was also softer than expectations. An economic slowdown remains a major concern for investors, who continue to seek safety in gold with total ETF holdings increasing to 81.3mOz (+0.4mOz week-on-week).

Agriculture

Chinese soybean purchases: China is reported to be purchasing further US soybeans ahead of trade talks, after Beijing provided a further quota of around 2mt of tariff-free imports earlier in the week. Previously, China approved around 2-3mt of tariff-free soybean imports from the US in late September. Soybean prices have found further support from the US stocks report earlier in the week, which showed US soybean stocks to be at 913mn bushels as of 1 September 2019, compared to the market expectations of around 981mn bushels.

Meanwhile, Brazilian exports of soybeans to China dropped 13% YoY to 3.6mt in September, with year-to-date exports down 16% year-on-year to total 46mt. This saw total soybean exports from Brazil fall by 2% YoY in September to 4.4mt, while YTD shipments are down 12% YoY to total 60.8mt. Cash values for Brazilian soybeans have also weakened considerably over August and September, with values falling from US\$1.50/bu to US\$0.89/bu currently- recent Chinese purchases of US soybeans have not been constructive for Brazilian values.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	57.69	-2.04	7.23	Spot Gold (US\$/oz)	1,499.5	1.37	16.92
NYMEX WTI (US\$/bbl)	52.64	-1.83	15.92	Spot Silver (US\$/oz)	17.6	1.88	13.33
ICE Gasoil (US\$/t)	571	-2.85	11.70	LME Copper (US\$/t)	5,678	-0.14	-4.81
NYMEX HO (Usc/g)	187	-1.34	11.44	LME Aluminium (US\$/t)	1,705	-2.01	-7.64
Eurobob (US\$/t)	549	-1.25	14.57	LME Zinc (US\$/t)	2,318	0.56	-6.04
NYMEX RBOB (Usc/g)	155	-1.79	16.76	LME Nickel (US\$/t)	17,485	1.54	63.56
NYMEX NG (US\$/mmbtu)	2.25	-1.58	-23.57				
TTF Natural Gas (EUR/MWh)	16.00	-4.52	-27.19	CBOT Corn (Usc/bu)	388	-1.21	3.40
				CBOT Wheat (Usc/bu)	489	-1.95	-2.83
API2 Coal (US\$/t)	63	-1.26	-26.03	CBOT Soybeans (Usc/bu)	914	-0.63	3.54
Newcastle Coal (US\$/t)	69	-2.00	-32.40	ICE No.11 Sugar (Usc/lb)	12.89	0.08	7.15
SGX TSI Coking Coal (US\$/t)	153	0.67	-27.96	ICE Arabica (Usc/lb)	101	-0.74	-1.23
SGX Iron Ore 62% (US\$/t)	88.76	-0.02	27.77	ICE London Cocoa (GBP/t)	1,933	0.73	9.46

Source: Bloomberg, ING Research

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>.