

Snap | 21 July 2022

COMMODITIES DAILY

The Commodities Feed: Nord Stream nominations

Your daily roundup of commodities news and ING views



Gas storage tank

Energy

All eyes will be on the Nord Stream pipeline today. Annual maintenance is set to come to an end today at 6am local time, and the market will be waiting to see if Russian flows along the pipeline restart. The good news is that looking at nominations, it appears as though flows are indeed set to resume to around pre-maintenance levels, so around 40% of capacity. Although, there are still clear risks, as these nominations do not guarantee that we will see these flows. We will have to wait until later today for confirmation on whether flows return and if so, to what degree. A return to pre-maintenance levels would likely put some downward pressure on European gas prices.

Oil prices settled marginally lower yesterday, with a lack of fresh catalysts. Weekly EIA data showed that US commercial crude oil inventories declined by 445Mbbbls over the last week, whilst total US crude oil inventories (including SPR) declined by 5.44MMbbbls. However, the changes for gasoline were more bearish, with US gasoline inventories rising by 3.5MMbbbls over the week, despite refinery utilization rates falling by 1.2 percentage points.

Metals

The latest numbers from the International Aluminium Association (IAI) show that global primary aluminium daily output stood at 188.4kt in June, compared to 188kt a month earlier. Total monthly output declined 3.1% MoM and 1.4% YoY to stand at 5.65mt last month. Cumulatively, production remained largely flat at 33.7mt over the first half of the year. Chinese output fell 3.2% MoM to 3.3mt last month, which leaves YTD output at 19.7mt, up 0.4% YoY.

In its latest quarterly update, Vale SA lowered its guidance for annual iron ore output. The miner now expects production to come in at around 310-320mt for 2022, compared to a previous forecast of 320-335mt. The revision lower provided some support to SGX iron ore, with the most active contract rallying by 2.9%, which saw it settle just above US\$100/t.

Agriculture

Indonesia's Palm Oil Board (GAPKI) expects crude palm oil exports to increase to 17.3mt over 2H22 compared to around 10.7mt over 1H22 as the government eases export regulations. Palm oil exports from Indonesia witnessed several policy flip-flops over the first half of the year as prices surged to record highs. However, an easing in prices has seen the government withdraw the majority of the restrictions previously put in place. Based on current estimates, full-year palm oil exports from Indonesia would still be significantly lower than the roughly 34mt exported in 2021. GAPKI estimates that inventories stood at around 7mt in early July, compared to around 4.1mt at the end of 2021.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@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.

THINK economic and financial analysis

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 www.ing.com.