

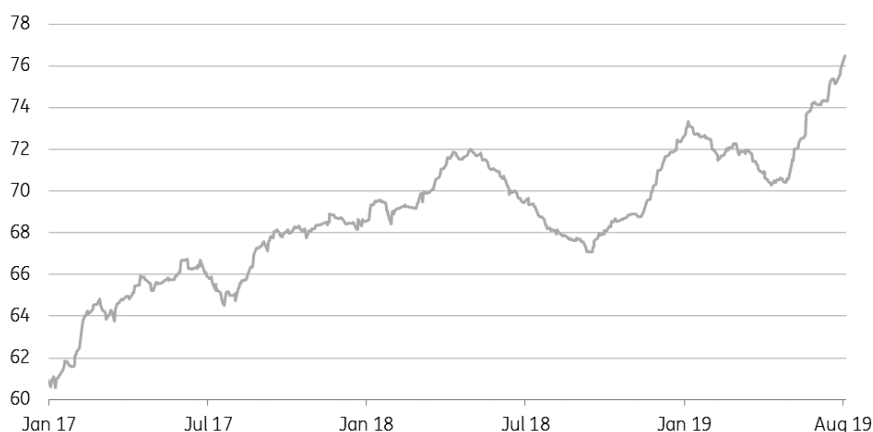
The Commodities Feed: Oil bear market

Your daily roundup of commodity news and ING views



Source: iStock

Total known gold ETF holdings (m oz)



Source: Bloomberg, ING Research

Energy

Market pressure: Oil came under further pressure yesterday, with ICE Brent settling 1.94% lower

on the day, as the market continues to grow more uncertain about the demand outlook given the deterioration of trade talks between China and the US. This takes the decline in oil so far this month to almost 10%, whilst the front month contract is off almost 21% since the recent highs in April- leaving us in a bear market. [We have revised lower our oil price forecasts for the remainder of this year and 2020](#). These revisions were driven by demand concerns for the rest of this year, along with expectations that the global oil market will return to surplus over the first half of 2020.

US crude oil inventories: The pressure on the market yesterday came despite the fact that the API reported that US crude oil inventories declined by 3.43MMbbls over the last week, which is not too far off from market expectations of a 2.7MMbbls drawdown. Meanwhile, the API also reported a 1.64MMbbls drawdown in stocks at Cushing. On the product side, it reported a 1.1MMbbls decline in gasoline inventories whilst distillate fuel stocks increased by 1.17MMbbls. Later today the more widely followed EIA numbers will be released.

Yesterday saw the EIA release its short term energy outlook, where it left production outlook for 2020 unchanged at 13.26MMbbls/d. However, the EIA also lowered its 2019 estimate from 12.36MMbbls/d to 12.27MMbbls/d.

Metals

Gold rally: Gold prices have gained around 5% over the past week as investors/speculators continue to seek safety in precious metals amid the ongoing trade tussle. ETF investors bought around 0.9mOz of gold over the same time period with total known ETF holdings of gold increasing to a fresh six-year high of 76.5moz as of yesterday. Central Banks are also likely to keep up with their gold purchases in 2H19, as the escalating political/trade uncertainty pushes countries to diversify assets. However, higher gold prices do pose a demand risk to the retail segment, especially in the Indian market where affordability remains a major concern for gold buyers. In fact, India's gold imports dropped 55% YoY to a three-year low of 39.66t in July due to higher prices and liquidity constraints in the financial market.

Glencore mines: There are media reports that Glencore plans to shut its Mutanda cobalt and copper mine in the Democratic Republic of Congo by the end of this year as weak cobalt prices impact the economic viability of the project. The Mutanda mine produced 27.3kt of Cobalt and 199kt of copper last year. The company also revised down its copper production guidance at its Katanga mine in DRC from 285kt to 235kt due to operational issues at the mine.

Agriculture

Expectations ahead of WASDE: Ahead of next Monday's WASDE report, a Bloomberg survey shows expectations for lower global corn and wheat ending stocks for 2019/20 from 298.9mt to 291.8mt and from 286.5mt to 279.5mt, respectively. The survey shows expectations for soybean ending stocks to be revised higher from 104.5mt to 106mt.

For the US, corn yields are expected to drop to 164.9bu/acre compared to July estimates of 166bu/acre, which combined with lower acreage will result in production estimates being revised down from 13,875m bushels to 13,146m bushels. Similarly, for soybean, yield estimates are expected to fall from 48.5bu/acre to 47.4bu/acre, resulting in a production downgrade as well. Grains have been under pressure recently, largely a result of the ratcheting up in the trade war. However come Monday, all attention will be on what is expected to be a largely bullish report.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 58.94 | -1.45 | 9.55 | Spot Gold (US\$/oz) | 1,474.4 | 0.73 | 14.97 |
| NYMEX WTI (US\$/bbl) | 53.63 | -1.94 | 18.10 | Spot Silver (US\$/oz) | 16.4 | 0.31 | 6.14 |
| ICE Gasoil (US\$/t) | 559 | -0.97 | 9.50 | LME Copper (US\$/t) | 5,683 | -0.04 | -4.73 |
| NYMEX HO (Usc/g) | 182 | -0.63 | 8.52 | LME Aluminium (US\$/t) | 1,759 | -0.23 | -4.71 |
| Eurobob (US\$/t) | 596 | -1.12 | 24.18 | LME Zinc (US\$/t) | 2,310 | -0.04 | -6.36 |
| NYMEX RBOB (Usc/g) | 169 | -1.79 | 27.47 | LME Nickel (US\$/t) | 14,945 | 0.44 | 39.80 |
| NYMEX NG (US\$/mmbtu) | 2.11 | 1.98 | -28.20 | CBOT Corn (Usc/bu) | 404 | -0.31 | 7.73 |
| TTF Natural Gas (EUR/MWh) | 10.95 | -4.47 | -50.18 | CBOT Wheat (Usc/bu) | 484 | -2.12 | -3.83 |
| API2 Coal (US\$/t) | 59 | -1.90 | -31.27 | CBOT Soybeans (Usc/bu) | 848 | -0.29 | -3.94 |
| Newcastle Coal (US\$/t) | 71 | -1.73 | -29.98 | ICE No.11 Sugar (Usc/lb) | 11.73 | -0.76 | -2.49 |
| SGX TSI Coking Coal (US\$/t) | 156 | -0.64 | -26.33 | ICE Arabica (Usc/lb) | 97 | 1.46 | -4.71 |
| SGX Iron Ore 62% (US\$/t) | 93.22 | -2.67 | 34.19 | ICE London Cocoa (GBP/t) | 1,762 | -1.62 | -0.23 |

Source: Bloomberg, ING Research

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