The Commodities Feed: Oil demand concerns & growing US stocks

Your daily roundup of commodity news and ING views

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Energy

US oil inventories & price action: Oil prices came under further pressure yesterday, with ICE Brent settling below US$59/bbl. Expectations that the API and EIA will report that US crude oil inventories increased by around 3MMbbls over the last week certainly does not help sentiment. If the EIA is to report a stock build tomorrow, it would be the sixth consecutive increase, and would follow the large 9.28MMbbls increase seen in the previous week. Having fallen just below the 5 year average in early September, US crude oil inventories have now crept back above the 5 year average.

These more visible stock builds, along with demand concerns continuing to linger suggests that it is becoming increasingly more difficult to see a sustained rally in prices ahead of the OPEC+ meeting in early December. The one upside risk though is if the initial trade deal between China and the US is agreed in November, and exceeds expectations.

Metals

Aluminium output: Data from the IAI shows that daily global primary aluminium output increased marginally over September to average 172.1kt per day, compared to 171.9kt per day in August. Although, global output fell on a monthly basis, and stood at 5.16mt (-3% MoM), with declines coming from China. China's total monthly output for September stood at 2.88mt down 3.2% MoM and a decrease of 4.4% YoY.

While the LME aluminium cash/3m spread has strengthened considerably since mid-September, it does remain in contango, and the outlook for aluminium prices fairly negative, with revisions lower in demand growth estimates.

Copper price strength: Copper prices have held up well recently, relative to the rest of the metals complex, with growing concerns that protests in Chile may have an impact on copper supply from the country. More recently workers at BHP's Escondida mine decided to carry out a 10-hour strike. The strike would be conducted in two 5-hours shifts. Meanwhile mining unions in the country are calling for a general mining strike tomorrow, with demands for the government to end the state of emergency.

Agriculture

US crop condition & export inspections: The USDA's weekly crop progress report continues to show slow progress with soybean and corn harvesting. Latest data shows that soybean harvesting in the US increased to 46% as of 20 October, (+20% week-on-week), but still substantially lower than the 64% seen at the same stage last year. Meanwhile for corn, 30% (+8% WoW) of the current crop has been harvested, compared to the 5-yr average of 47%.

Looking at export inspections, 1.3mt of soybeans were inspected over the week for export, taking cumulative inspections this season to 6.46mt, up from 6.02mt at the same stage last year. While soybean export inspections are performing well, the same cannot be said about corn, with 532kt inspected for export over the last week, which takes cumulative inspections this season to 3.04mt, down from 7.96mt at this stage last year.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**58.96**	-0.77	9.59
NYMEX WTI (US$/bbl)	**53.31**	-0.87	17.40
ICE Gasoil (US$/t)	**582**	-1.23	13.95
NYMEX HO (Usc/g)	**194**	-0.33	15.46
Eurobob (US$/t)	**561**	-0.11	17.03
NYMEX RBOB (Usc/g)	**161**	-0.97	21.42
NYMEX NG (US$/mmbtu)	**2.24**	-3.53	-23.88
TTF Natural Gas (EUR/MWh)	**15.61**	-2.24	-28.99
API2 Coal (US$/t)	**60**	-0.17	-30.05
Newcastle Coal (US$/t)	**70**	1.24	-31.36
SGX TSI Coking Coal (US$/t)	**151**	-2.76	-28.81
SGX Iron Ore 62% (US$/t)	**82.26**	-0.34	18.41

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,484.5**	-0.37	15.75
Spot Silver (US$/oz)	**17.6**	0.05	13.33
LME Copper (US$/t)	**5,828**	0.38	-2.30
LME Aluminium (US$/t)	**1,729**	-0.52	-6.34
LME Zinc (US$/t)	**2,473**	0.65	0.24
LME Nickel (US$/t)	**16,100**	-0.80	50.61
CBOT Corn (Usc/bu)	**387**	-0.96	3.27
CBOT Wheat (Usc/bu)	**524**	-1.64	4.02
CBOT Soybeans (Usc/bu)	**933**	-0.08	5.75
ICE No.11 Sugar (Usc/lb)	**12.27**	-0.41	2.00
ICE Arabica (USc/lb)	**96**	0.68	-5.40
ICE London Cocoa (GBP/t)	**1,880**	-0.90	6.46

Source: Bloomberg, ING Research

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

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