

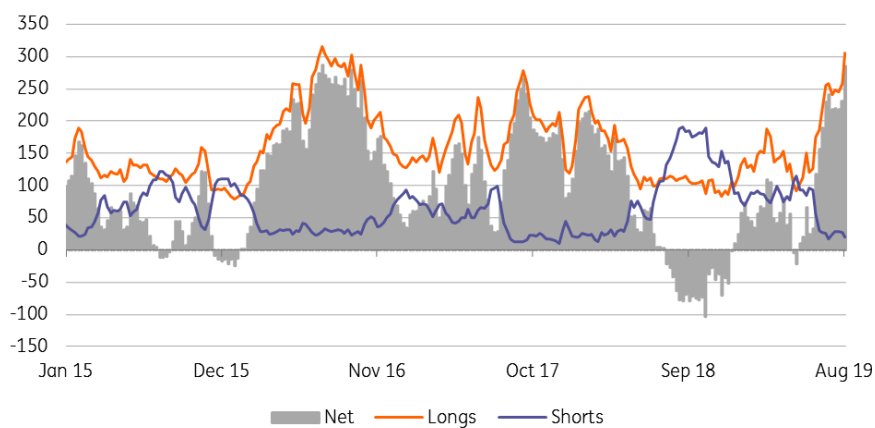
The Commodities Feed: Oil demand growth revisions

Your daily roundup of commodity news and ING views



Source: iStock

COMEX Gold managed money position (000 lots)



Source: CFTC, Bloomberg, ING Research

Energy

IEA oil demand: The International Energy Agency released its monthly oil market report on Friday, and given the growing concerns over demand growth, it was no surprise to see that the agency revised lower their demand growth forecasts for 2019 and 2020 by 100Mbbbls/d and 50Mbbbls/d, to 1.1MMbbbls/d and 1.3MMbbbls/d respectively. According to the IEA, global oil demand fell by 160Mbbbls/d YoY in May, and cumulative demand growth over the first five months of this year was just 520Mbbbls/d.

Meanwhile looking at supply, OPEC continues to tighten the market, with the Saudis are cutting more than their agreed quota. These OPEC cuts should see stocks fall for the remainder of this year. However, for 2020, the IEA is forecasting that non-OPEC supply will grow by 2.2MMbbbls/d, which should keep the market well supplied over the course of next year.

We are of the view that strong non-OPEC supply growth next year, will mean that OPEC will likely have to take further action next year or face the risk of lower oil prices.

Speculative positioning in oil: Latest data shows that speculators decreased their net long in ICE Brent by 12,840 lots over the last reporting week, leaving them with a net long of 263,500 lots as of last Tuesday. The bulk of this reduction was driven by longs liquidating, with the gross long falling by 8,449 lots over the week. Meanwhile, CFTC data shows that speculators increased their net long in NYMEX WTI by 9,074 lots over the last reporting week, leaving them with a net long of 177,189 lots as of last Tuesday.

Metals

Lead smelter outage: Nyrstar has halted operations at its Port Pirie lead smelter in Australia once again and declared force majeure on supply contracts due to an unplanned outage at the main furnace. This is the second closure at the plant in over three months, after the company had to shut operations for two months in June/July due to a similar incident, which resulted in a production loss of around 30kt. ILZSG data shows that the global lead market reported a deficit of 42kt over the first five months of 2019; the smelter outage is likely to have tightened the market even further.

Speculative positioning: Speculators have been herding into precious metals as geopolitical and trade uncertainty continue to boil over. CFTC data shows that money managers' net long in gold increased by 53,717 lots over the last week, with them holding a net long position of 285,082 lots as on 6 August. Gross longs increased by 47,399 lots, while gross shorts declined by 6,318 lots. The current speculative net long in COMEX gold is at a three-year high and stands only marginally away from the record high of 286,921 lots made in July 2016. On the other hand, speculators increased their net short in COMEX copper by 34,225 lots over the week, leaving them with a record-high net short position of 74,597 lots as of 6 August, with demand concerns continuing to weigh on sentiment.

Agriculture

Brazil data: Data from UNICA shows that sugar production in the Center-South region of the country dropped 5.5% YoY to 2.48mt in the second half of July. Total cane crushed increased by 4.25% YoY to 49.7mt; however, a larger part of the crop was allocated to ethanol production due to better margins. Sugar's share in cane processing fell from 38.4% last year to 37% this year. Among

other crop data, CeCafe reports that green coffee exports from Brazil increased 33% YoY to 2.8m bags in July, with Arabica exports rising by 28.6% YoY to 2.26m bags and Robusta shipments up by 56% YoY to 0.58m bags.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	58.53	2.00	8.79	Spot Gold (US\$/oz)	1,497.0	-0.27	16.72
NYMEX WTI (US\$/bbl)	54.5	3.73	20.02	Spot Silver (US\$/oz)	17.0	0.27	9.58
ICE Gasoil (US\$/t)	556	2.35	8.76	LME Copper (US\$/t)	5,755	-0.74	-3.52
NYMEX HO (Usc/g)	181	1.77	7.57	LME Aluminium (US\$/t)	1,771	-0.39	-4.06
Eurobob (US\$/t)	590	1.30	23.05	LME Zinc (US\$/t)	2,234	-3.04	-9.44
NYMEX RBOB (Usc/g)	167	1.72	26.46	LME Nickel (US\$/t)	15,550	-2.08	45.46
NYMEX NG (US\$/mmbtu)	2.12	-0.42	-27.93				
TTF Natural Gas (EUR/MWh)	12.02	-0.42	-45.30	CBOT Corn (Usc/bu)	410	-0.18	9.40
				CBOT Wheat (Usc/bu)	500	0.20	-0.75
API2 Coal (US\$/t)	59	-1.42	-30.22	CBOT Soybeans (Usc/bu)	874	1.01	-0.99
Newcastle Coal (US\$/t)	70	-0.99	-31.16	ICE No.11 Sugar (Usc/lb)	11.86	3.76	-1.41
SGX TSI Coking Coal (US\$/t)	158	0.00	-25.60	ICE Arabica (Usc/lb)	97	-0.10	-4.47
SGX Iron Ore 62% (US\$/t)	89.08	-1.78	28.23	ICE London Cocoa (GBP/t)	1,726	-0.12	-2.27

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 www.ing.com.