The Commodities Feed: Oil falters

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Energy

ICE Brent saw its biggest daily decline in over a month yesterday, with Brent settling just shy of 2% lower on the day. The prompt ICE Brent timespread also collapsed from a backwardation of US$0.80/bbl to US$0.54/bbl. Concerns over a pick-up in Covid-19 cases in some regions appears to have hit sentiment. The UK saw its highest number of daily cases yesterday since January, with the Delta variant spreading. This has led to worries over a return to international travel, and Hong Kong has now banned all flights from the UK due to the rising numbers of UK cases, while the EU has also tightened controls on UK travellers. Elsewhere, parts of Asia continue to see a large number of cases, which has led to an extension of restrictions. Malaysia has extended its lockdown, with cases not falling as quickly as hoped.

In addition to continued Covid-19 concerns, there is probably an element of speculators taking some risk off the table, with uncertainty over what OPEC+ may agree when they meet on Thursday. The group has surprised the market several times over the course of this deal, and so market participants wouldn't want to be caught off guard. According to Bloomberg, numbers which will be shared at the OPEC+ Joint Technical Committee meeting today, show that if output is kept unchanged, then the market is estimated to see a deficit of 1.7MMbbls/d over August, and an average deficit of 1.9MMbbls/d over 2H21.

Metals

LME aluminium managed to edge higher yesterday, following Friday's rally, after confirmation that Russia will impose temporary export duties on metals from 1 August until the end of the year. Primary aluminium exports will attract a base export duty of 15% plus US$254/t. Russia sells a significant amount of primary aluminium to Europe and Asia, and this move is likely to be supportive for regional aluminium premiums. Along with aluminium, the Russian government has also approved temporary export duties on 340 steel and non-ferrous metals. The government expects that these duties will generate around 160 billion rubles of revenue over the five-month period.

Author

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