

The Commodities Feed: Oil ignores Saudi reassurance

Your daily roundup of commodity news and ING views



Source: Shutterstock

LME Zinc cash/3 month spread (US\$/t)



Source: Bloomberg, ING

Energy

OPEC+ cuts: Despite comments from the Saudi Energy Minister saying that OPEC+ remains committed to its production cut deal, and that there is growing consensus that the deal will need to be extended beyond June, the market has continued to come under pressure given the broader macro picture. While we do not believe that the market needs to see cuts extended, we do believe that given the pressure on the flat price that OPEC+ will be forced to extend its deal into the second half of the year.

Meanwhile, Russia over complied with the production cut deal in May, pumping 11.11MMbbls/d compared to their agreed level of 11.19MMbbls/d- this is the first month since the new deal started that Russia has complied.

US crude oil inventories: The API is set to release its weekly inventory numbers later today, and market expectations are that US crude oil inventories decreased by around 1.8MMbbls over the last week. Gasoline inventories are expected to have increased by 1MMbbls over the last week, whilst expectations for distillate fuel oil stocks are that they will remain largely unchanged.

Metals

Zinc outlook: Zinc inventories in China are rising amid increasing refined supply and concerns over a worsening demand picture in the coming months. June is likely to be the inflection point of fundamentals beginning to deteriorate. Last Friday, ShFE inventories data showed its largest gain this year, up by 5.4% from the prior week. Into Monday, inventories gains have also been seen from non-exchange warehouses in China.

The rise in zinc inventory from China exacerbates the worries over rising refined supply against high TC (treatment charges) that smelters are receiving; however there are more worries on the demand side, particularly when the 2Q traditional peak season ends. Margins at galvanisers are getting squeezed and inventories of finished galvanised products are piling up. All this heralds stronger headwinds for zinc from a fundamental perspective. However, on the LME market inventories remain near multiyear lows and the cash/3 month spread remains in deep backwardation of around \$140 level. Unless there are significant gains in stocks, this is likely to provide support to prices.

Brazil iron ore: Brazil's Ministry of Trade and Commerce data shows that iron ore exports from the country increased from 18.3mt in April to 29mt in May. Australian iron ore shipments also recovered to around 76-77mt in May, after falling to record lows of around 58mt in March due to cyclone Veronica. SteelHome data shows that Chinese iron ore inventory at ports dropped by around 3mt last week taking total withdrawals to 24mt over the past two months, and leaving inventories at more than a two-year low of 124.9mt.

Agriculture

US corn plantings: Latest data from the USDA shows that corn plantings remain well behind normal as a result of heavy rains. As of the 2 June, 67% of corn area was planted, this compares to 96% at the same stage last year, and the five-year average of 96%. Delayed plantings have seen speculators cover a significant amount of their short position. Over the last reporting week, speculators bought back 95,993 lots leaving them with a net short of 20,736 lots. Soybean plantings are also delayed, with just 39% of area planted, significantly lower than the 86% seen at

the same stage last year.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	61.28	-4.98	13.90	Comex Silver (US\$/oz)	14.7	1.19	-5.15
NYMEX WTI (US\$/bbl)	53.25	-0.47	17.26	LME Copper (US\$/t)	5,842	0.21	-2.06
ICE Gasoil (US\$/t)	562	-2.73	9.99	LME Aluminium (US\$/t)	1,777	-0.98	-3.74
NYMEX HO (Usc/g)	181	-1.92	7.48	LME Zinc (US\$/t)	2,468	-2.22	0.04
Eurobob (US\$/t)	618	-11.93	28.86	LME Nickel (US\$/t)	11,878	-1.16	11.11
NYMEX RBOB (Usc/g)	174	-3.37	31.55				
NYMEX NG (US\$/mmbtu)	2.40	-2.08	-18.27	CBOT Corn (Usc/bu)	424	-0.64	13.13
				CBOT Wheat (Usc/bu)	520	3.33	3.28
API2 Coal (US\$/t)	53	-2.39	-38.00	CBOT Soybeans (Usc/bu)	879	0.14	-0.40
NYMEX Coking Coal (US\$/t)	201	-3.56	-11.80	ICE No.11 Sugar (Usc/lb)	12.19	0.74	1.33
				ICE Arabica (Usc/lb)	104	-0.81	1.87
				ICE London Cocoa (GBP/t)	1,751	-1.90	-0.85

Source: Bloomberg, ING Research

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