

The Commodities Feed: Oil & metals under pressure

Your daily roundup of commodity news and ING views



Energy

Oil came under renewed pressure yesterday, with Brent falling briefly below US\$40/bbl, although managed to settle above this level. It doesn't appear as though there was a key catalyst for the move lower, instead market sentiment continues to deteriorate, with worries over what a resurgence in Covid-19 cases will mean for oil demand. Refinery margins around the globe remain weak, and so do little to support crude oil demand. These continued concerns over demand come at a time when we are seeing Libya bringing production back to the market, with reports that it is now producing 270Mbbls/d. As we mentioned yesterday, supply from OPEC edged higher in September, according to numbers from Reuters.

Turning to products, and the latest inventory data from Singapore shows that light distillate stocks fell by 675Mbbls over the last week, which leaves inventories at 13.57MMbbls, the lowest levels we have seen since February. The tightening in stocks in the region has been reflected in gasoline cracks in Asia, which have gradually edged higher over the last couple of months.

Looking ahead to next week, it is scheduled to be fairly quiet in terms of data releases. China is out for Golden Week, so expect little in the way of news flow from there. The market will need to keep

an eye on how strike action in Norway evolves, and whether it starts to have an impact on output. Then the EIA will release its Short Term Energy Outlook on Tuesday, which will include the latest forecasts for US output for the remainder of this year and 2021. Finally, OPEC will also be releasing its annual World Oil Outlook on Thursday, which includes long term projections.

Metals

Precious metals edged higher on Thursday, with spot gold prices extending gains and holding above the US\$1,900/oz level for a second straight day due to some renewed pressure on the USD index. Meanwhile, the total known ETF holdings for gold witnessed daily inflows of 205koz yesterday, taking total inflows so far this week to 499koz, and leaving total holdings at 110.9moz.

Prices of all major base metals contracted sharply yesterday with LME copper prices turning out to be the worst performer and declining by more than 5% at one stage. The market ignored the risk of mine supply disruptions and instead seemed to focus on fading hopes of a US stimulus deal.

Supervisors at Chile's Escondida copper mine rejected the company's final wage offer, raising the risk of strike action. The miner has requested a five-day mediation period, in the hope that strike action can be avoided. While the mine would keep producing during any potential strike action, the rate of production may slow down. Earlier this week, mineworkers at the Candelaria copper mine also rejected a final offer in regular wage talks. The outcome of mediation talks at these mines will be watched closely by union members at other copper mines in the nation, who are scheduled for wage talks later this year. Meanwhile, Peruvian copper mine production in August fell by 2.5% MoM, the first decline in four months.

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