

The Commodities Feed: Oil pressure

Your daily roundup of commodity news and ING views



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Energy

Unsurprisingly, oil markets came under pressure again yesterday following negative prices in the WTI May contract. The WTI June contract settled more than 43% lower on the day, and below US\$12/bbl. ICE Brent also came under pressure, down almost 25% and settling below US\$20/bbl. The realisation of negative prices has clearly spooked the market, with worries that we could see the same for the WTI June contract, and possibly even in the Brent market. Although for now, we think this is more unlikely, given that Brent does not suffer from the same capacity constraints as the land-locked WTI market, being a seaborne market. In addition, Brent is cash settled, and so there is not the same pressure on longs to close out their position at expiry, unlike the physically deliverable WTI.

OPEC+ ministers also held a conference call yesterday, given the pressure we are seeing on the market at the moment. The group have not decided on any new policy moves, although the pressure to do something will likely build in the coming days and weeks. The issue for OPEC+ is that there is a limit to how much they can do. They are already set to implement record cuts, and it will be a struggle for them to stomach further reductions. Instead, the group should have agreed that cuts start as soon as possible after the deal was struck earlier this month. It is a bit late for that now. The Texas Railroad Commission also met yesterday, but there was no decision made on

mandated production cuts in the state. This means that the market will likely have to wait until 5 May for any further news from Texas, as this is when the commission meets next.

Finally, the API reported yesterday that US crude oil inventories increased by 13.2MMbbls over the last week, and if confirmed by the EIA later today, would be the fourth consecutive week where the inventory build has exceeded 10MMbbls. Meanwhile, the API also reported that Cushing crude oil inventories increased by 4.91MMbbls, while we also saw sizeable builds in both gasoline and distillate fuel oil stocks.

Metals

Risk-off sentiment has risen along with the oil market rout, and the metals complex was unable to escape this pressure, bringing a halt to the rally. Given supply and demand dynamics in the short term, we are still of the view that the recent rally does not have a strong footing. Looking at the latest mine disruptions, Teck Resources declared force majeure on shipments from the Antamina copper and zinc mine in Peru yesterday. The mine had already suspended mining operations on 13 April after a worker tested positive for Covid-19. For zinc, the Zinkgruvan underground mine owned by Lundin Mining Corp. in Sweden, suspended its production activities after a fire broke out at the site yesterday. The mine, which expected to produce 77-82kt of zinc and 3-4kt of copper for the year, has still not updated as to when operations might resume. Meanwhile, BHP trimmed its 2020 output guidance for nickel to 80-83kt from a previous estimate of 87kt, due to extended mine shutdowns.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	19.33	-24.40	-70.71	Spot Gold (US\$/oz)	1,686.2	-0.56	11.13
NYMEX WTI (US\$/bbl)	11.57	-43.37	-80.53	Spot Silver (US\$/oz)	14.9	-2.81	-16.61
ICE Gasoil (US\$/t)	216	-17.48	-64.82	LME Copper (US\$/t)	5,030	-2.96	-18.53
NYMEX HO (Usc/g)	73	-18.12	-64.16	LME Aluminium (US\$/t)	1,491	-0.83	-17.65
Eurobob (US\$/t)	147	-12.23	-74.50	LME Zinc (US\$/t)	1,911	-1.85	-15.89
NYMEX RBOB (Usc/g)	51	-23.64	-69.94	LME Nickel (US\$/t)	12,197	-2.53	-13.03
NYMEX NG (US\$/mmbtu)	1.82	-5.35	-16.81	CBOT Corn (Usc/bu)	309	-1.59	-20.25
TTF Natural Gas (EUR/MWh)	6.32	-4.58	-47.60	CBOT Wheat (Usc/bu)	547	-0.36	-2.15
API2 Coal (US\$/t)	44	-5.12	-23.06	CBOT Soybeans (Usc/bu)	831	0.51	-11.90
Newcastle Coal (US\$/t)	52	-5.02	-24.62	ICE No.11 Sugar (Usc/lb)	9.75	-3.08	-27.35
SGX TSI Coking Coal (US\$/t)	126	-0.97	-10.81	ICE Arabica (Usc/lb)	110	-3.52	-15.46
SGX Iron Ore 62% (US\$/t)	81.06	-3.40	-11.24	ICE London Cocoa (GBP/t)	1,914	1.00	5.22

Source: Bloomberg, ING Research

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