The Commodities Feed: Oil selloff

Your daily roundup of commodity news and ING views

ICE Brent Dec/Jan spread (US$/bbl)

Source: Bloomberg

Energy

Downward pressure resumes: The bump higher in the oil market on Friday was short-lived, with ICE Brent settling more than 1.9% lower yesterday, and the pressure has continued this morning, with ICE Brent trading just below US$59/bbl at the time of writing. While the market was initially positive about the "mini trade deal" between the US and China, the market has lost this enthusiasm with still limited information available, along with the fact that this is not a comprehensive and final trade deal.

It's not just the flat price which is coming under pressure, the prompt ICE Brent timespreads continue to weaken, with the Dec/Jan spread falling from a backwardation of US$0.77/bbl at the end of September to just US$0.17/bbl currently. This weakness comes despite strong OPEC+ cuts, and disruptions to Saudi oil output, and suggests that the tightness in the prompt market is easing.

Buzzard restarts: The 150Mbbls/d Buzzard oilfield, which is the largest contributor to the Forties crude stream, resumed operations on Sunday after having been shut since the 4 October for repairs to pipework. This outage follows a shutdown at the end of last year for a three-week period so that repair work could be carried out on corroded pipes.

Metals

Vale iron ore output: Vale reported that its iron ore fines production increased 35.4% quarter-on-quarter to 86.7mt in 3Q19 (though still down 17.4% year-on-year) on the back of restarting the Brucutu mine and resumption of dry processing at Vargem Grande complex. The company has already restarted nearly 40mt pa of shuttered capacity since the January 2019 incident, and expects to restore the remainder of the c.50mt pa of closed capacity by 2021 (around 23mt in 2020 and the rest in 2021). Among other metals, nickel production recovered 14.2% QoQ to 51.4kt in 3Q19, though it is still down 7.7% YoY, while year-to-date nickel production is down 16.3% YoY to 151.2kt. Vale expects nickel production to recover further in 4Q19 due to the resumption of output at its Onca Puma project in September, and improved operating rates at refineries in North Atlantic and Asia.

Global steel demand: The latest forecasts from the World Steel Association (WSA) have been fairly constructive for the iron ore and steel market as the association has increased its global steel demand forecasts for 2019 and 2020 to 3.9% and 1.7%, respectively, on the back of upside revisions to Chinese demand. The WSA expects Chinese steel consumption to increase 7.8% YoY to 900mt in 2019 compared to its earlier estimates of 843mt (+1% YoY). On the other hand, demand growth estimates for the rest of the world were lowered from 1.7% YoY to 0.2% YoY due to slowing economic growth and trade war concerns. For 2020, the WSA expects Chinese steel demand to increase 1% YoY to 909mt (compared to earlier estimates of 1% decline YoY) and Rest of World steel demand to increase 2.5% YoY to 897mt.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**59.35**	-1.92	10.32
NYMEX WTI (US$/bbl)	**53.59**	-2.03	18.01
ICE Gasoil (US$/t)	**579**	-2.77	13.41
NYMEX HO (Usc/g)	**192**	-2.17	13.94
Eurobob (US$/t)	**562**	-1.16	17.17
NYMEX RBOB (Usc/g)	**161**	-1.56	21.87
NYMEX NG (US$/mmbtu)	**2.28**	2.98	-22.45
TTF Natural Gas (EUR/MWh)	**16.04**	-0.59	-27.03
API2 Coal (US$/t)	**65**	0.62	-22.96
Newcastle Coal (US$/t)	**68**	-1.02	-33.28
SGX TSI Coking Coal (US$/t)	**153**	-0.70	-27.63
SGX Iron Ore 62% (US$/t)	**86.51**	-2.17	24.53

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,493.2**	0.28	16.43
Spot Silver (US$/oz)	**17.7**	0.65	13.95
LME Copper (US$/t)	**5,818**	0.38	-2.46
LME Aluminium (US$/t)	**1,720**	-0.12	-6.83
LME Zinc (US$/t)	**2,420**	0.04	-1.91
LME Nickel (US$/t)	**16,550**	-5.70	54.82
CBOT Corn (Usc/bu)	**398**	0.00	6.07
CBOT Wheat (Usc/bu)	**511**	0.59	1.54
CBOT Soybeans (Usc/bu)	**941**	0.48	6.57
ICE No.11 Sugar (Usc/lb)	**12.52**	0.89	4.07
ICE Arabica (USc/lb)	**95**	1.23	-6.87
ICE London Cocoa (GBP/t)	**1,898**	-1.71	7.47

Source: Bloomberg, ING Research

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