

The Commodities Feed: Oil stocks keep growing

Your daily roundup of commodity news and ING views



Energy

It was another volatile day in the oil market, with ICE Brent trading down to below US\$16/bbl at one stage yesterday, only to bounce back and settle above US\$20/bbl. The move higher has continued in morning trading in Asia. Some of this strength came after President Trump said that he had instructed the US Navy to destroy any Iranian gunboats which harass US ships. This ratchets up tensions once again between the US and Iran. However, given the glut we have in the oil market, it is difficult to see this offering lasting support to the market, unless the situation does escalate further.

The oil market largely ignored the bearish EIA report yesterday, which showed that US crude oil inventories increased by 15.02MMbbls over the last week, which is the fourth consecutive week where US inventories have grown by more than 10MMbbls. This takes total US crude oil inventories to almost 519MMbbls, an increase of more than 63MMbbls since late March, and to levels last seen in early 2017. Meanwhile, crude oil inventories in Cushing increased by 4.8MMbbls over the week, taking total stocks at the WTI delivery hub to 59.7MMbbls. This compares to a working storage capacity of around 76MMbbls. Assuming similar increases moving forward, inventories in Cushing should reach capacity sometime during the first half of May, increasing the risk of further downward pressure on WTI prices.

Finally, refined product inventories also increased over the week, with gasoline and distillate stocks

growing by 1.02MMbbls and 4.78MMbbls respectively. Refiners in the country continue to cut run rates on the back of poor demand. Run rates fell by a further 1.5 percentage points to 67.6% over the week.

Metals

Gold prices along with other precious metals traded higher yesterday. Safe-haven appeal amid extreme volatility in riskier assets has outweighed the pressure from a strong dollar. Investors continue to seek exposure via the ETF market; total gold holdings now stand at 95.1moz, an increase of more than 12moz since the start of the year. The latest data from the IMF show that Turkey expanded its gold reserves by 0.86mOz from a month earlier to a record 19.33moz in March. While, Russia marginally increased its gold reserves over the month, to stand at 73.92moz by the end of March. Russian purchases should slow in future, with the central bank saying that it would stop buying locally mined gold.

Copper bounced back yesterday, settling more than 2% higher on the day. Miner, Antofagasta, has said that it expects its copper output over 2020 to come in at the lower end of its production guidance of 725-755kt, as a result of the Covid-19 outbreak. This is despite, the producer's 1Q20 output growing by 2.9% YoY. Meanwhile, developments in China remain constructive, with active physical trading leading to a drawdown in inventories, while a tight scrap market is favouring cathode demand. This is partially reflected in SHFE copper outperforming the LME market recently.

As for scrap, aluminium shares a similar story with copper in China. According to Antaika data, over the last month, 150-200kt of additional primary aluminium been needed to fill the void caused by lower scrap availability. The smelter curtailments that have so far been announced, coupled with this additional demand is offering support to the market. But there still remains a large surplus. In the LME market, a strong surge in reportable inventories has put huge pressure on nearby spreads. The cash/3m spread for aluminium slipped to the deepest contango since July 2015, trading to almost US\$40/t this week.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	20.37	5.38	-69.14	Spot Gold (US\$/oz)	1,714.1	1.65	12.97
NYMEX WTI (US\$/bbl)	13.78	19.10	-76.82	Spot Silver (US\$/oz)	15.1	1.41	-15.43
ICE Gasoil (US\$/t)	212	-1.85	-65.47	LME Copper (US\$/t)	5,132	2.02	-16.89
NYMEX HO (Usc/g)	73	0.58	-63.96	LME Aluminium (US\$/t)	1,515	1.64	-16.30
Eurobob (US\$/t)	164	11.58	-71.54	LME Zinc (US\$/t)	1,896	-0.81	-16.57
NYMEX RBOB (Usc/g)	64	25.10	-62.40	LME Nickel (US\$/t)	12,015	-1.49	-14.33
NYMEX NG (US\$/mmbtu)	1.94	6.48	-11.42				
TTF Natural Gas (EUR/MWh)	6.23	-1.41	-48.34	CBOT Corn (Usc/bu)	318	2.67	-18.12
				CBOT Wheat (Usc/bu)	543	-0.69	-2.82
API2 Coal (US\$/t)	44	-0.56	-22.17	CBOT Soybeans (Usc/bu)	835	0.48	-11.48
Newcastle Coal (US\$/t)	52	-0.96	-25.34	ICE No.11 Sugar (Usc/lb)	9.83	0.82	-26.75
SGX TSI Coking Coal (US\$/t)	124	-1.50	-12.14	ICE Arabica (Usc/lb)	111	0.87	-14.73
SGX Iron Ore 62% (US\$/t)	82.22	1.43	-9.96	ICE London Cocoa (GBP/t)	1,999	4.44	9.90

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.