

# The Commodities Feed: Oil volatility

Your daily roundup of commodity news and ING views



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## Energy

It was a volatile day in oil markets yesterday, with NYMEX WTI seeing a trading range of a little over US\$3.60/bbl over the course of the day. More indices seem to be bringing forward the rolling of their position from the WTI Jun-20 contract to contracts further down the board. S&P Dow Jones yesterday rolled its Jun-20 positions into the Jul-20 contract for all of its commodity indices. The reason behind bringing forward this roll were worries that the Jun-20 contract could trade below zero, along with the fact that open interest in the Jun-20 contract is declining at a fairly quick pace. Rolling did put additional pressure on time spreads, with the WTI Jun/Jul contract trading out to a contango of almost US\$7.70/bbl at one stage, although admittedly the spread did settle quite a bit stronger.

Finally, yesterday the API reported that US crude oil inventories increased by 9.98MMbbls over the last week, a bit below the 11.9MMbbls build the market was expecting according to a Bloomberg survey. Meanwhile, API numbers also showed that crude oil inventories at Cushing increased by 2.49MMbbls over the week. The more widely followed EIA numbers will be released later today, and if the EIA numbers for Cushing are similar to those from the API, it will be the smallest build since mid-March at the WTI delivery hub.

## Metals

Unlike the oil market, the metals complex traded in a fairly narrow range yesterday. LME aluminium came under pressure, with prices trading below US\$1,500/t during the day, although the market did manage to settle above this level. LME aluminium inventories continue to rise, raising concerns that the market is oversupplied. The LME saw a little over 10kt of inflows into exchange warehouses yesterday, taking total stocks to 1.35mt.

In the Chinese aluminium raw materials market, alumina prices have started to pick up, adding to smelting costs. Prices had plunged to CNY2,065/t (ex-works) a week ago, the lowest since 2016, but they have now recovered to around CNY2,105. Seaborne prices have also picked up moderately. Other costs will also be increasing, including transportation in China. The nation's transport ministry said it would restart road and highway toll fees nationally from the 6th May, immediately after the Labour Day holiday (1st May-5th May) ends. Toll fees had been waived since the 17th February amid the Covid-19 outbreak.

Finally, as miners report their 1Q20 results, some have also started to cut annual production guidance and CAPEX, and the latter will have an impact on mine production in the longer run. First Quantum reported yesterday that it had trimmed its copper production guidance at the Cobre Panama mine by 75kt to a range between 210-235kt for this year, according to their 1Q20 report. Some mines are also working on restarting operations, including MMG's Las Bambas and Lundin's Zinkgruvan. In Nickel, Reuters also reported yesterday that Nickel Asia Corp and Global Ferronickel Holdings Inc are preparing to restart operations in Surigao del Norte.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	20.46	2.35	-69.00			Spot Gold (US\$/oz)	1,707.8	-0.36	12.56		
NYMEX WTI (US\$/bbl)	12.34	-3.44	-79.79			Spot Silver (US\$/oz)	15.2	-0.29	-15.05		
ICE Gasoil (US\$/t)	192	0.39	-68.81			LME Copper (US\$/t)	5,223	0.50	-15.40		
NYMEX HO (Usc/g)	63	3.34	-68.90			LME Aluminium (US\$/t)	1,505	-0.17	-16.88		
Eurobob (US\$/t)	159	-0.13	-72.40			LME Zinc (US\$/t)	1,931	1.34	-15.03		
NYMEX RBOB (Usc/g)	67	2.92	-60.70			LME Nickel (US\$/t)	12,294	0.41	-12.34		
NYMEX NG (US\$/mmbtu)	1.79	-1.37	-18.04			CBOT Corn (Usc/bu)	303	-0.90	-21.92		
TTF Natural Gas (EUR/MWh)	6.15	3.47	-48.99			CBOT Wheat (Usc/bu)	527	1.10	-5.73		
API2 Coal (US\$/t)	42	0.00	-26.24			CBOT Soybeans (Usc/bu)	826	-0.36	-12.41		
Newcastle Coal (US\$/t)	52	1.87	-24.91			ICE No.11 Sugar (Usc/lb)	9.34	1.41	-30.40		
SGX TSI Coking Coal (US\$/t)	109	-1.56	-23.29			ICE Arabica (Usc/lb)	106	1.05	-18.50		
SGX Iron Ore 62% (US\$/t)	80.70	-0.77	-11.63			ICE London Cocoa (GBP/t)	1,945	-1.87	6.93		

Source: Bloomberg, ING Research

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