The Commodities Feed: OPEC+ cuts & US inventories

Your daily roundup of commodity news and ING views

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Energy

OPEC cuts & US inventories: Signs of progress in trade talks appear to be offering some support to the oil market. This, however, is not the only driver behind the recent strength. If we look at the fundamentals, they are constructive, at least in the prompt market. ICE Brent time spreads continue to trade well in backwardation, suggesting a tightening in the physical market. Meanwhile the strength also reflects growing expectations that OPEC+ will agree to make deeper cuts, as well as extend the deal until mid-2020 at their meeting next week. It is important to point out that this expectation is also a key downside risk, if OPEC+ fail to act.

This week, OPEC's Economic Commission Board is set to meet on Wednesday and Thursday, and they will likely make their recommendation on what OPEC should do in terms of production cuts over 2020. While the board can make a recommendation, there is no certainty that OPEC ministers will follow this advice when they meet the following week.

Looking at data releases today, the API is set to publish its weekly US inventory numbers, and expectations are that US crude oil inventories declined by 939Mbbls over the last week, according to a Bloomberg survey. Confirmation of a stock draw from the API today, and the EIA tomorrow could offer some immediate support to the market, with the last stock drawdown seen in mid-October.

Canadian oil: Canadian oil differentials have not had a good time in recent weeks, West Canada Select (WCS) differentials initially weakened following the suspension of the Keystone pipeline after the discovery of a leak. Now the ongoing rail strike in Canada is adding further pressure. The WCS discount to WTI has widened from US$16/bbl last Monday to US$19.25/bbl currently.

Metals

LME aluminium stocks increase: LME aluminium is facing strong headwinds from a surge in reportable inventory. Stocks have risen from 956.2kt at the beginning of November to 1.23m tonnes on Monday. Growing inventory has coincided with strengthening time spreads in the front end, with the cash-three month spread trading to a backwardation of $13.5/t last week. This has attracted some deliveries into the LME sheds. Meanwhile, looking at China stocks continue to decline. The divergent trend in stock movement is clearly once again driving the divergence in price between the LME and ShFE.

Physical gold demand: Data from China's National Bureau of Statistics shows that non-monetary gold imports declined by 43% MoM (down 64% YoY) to at least a three year low of 34.9 tonnes in October. This leaves YTD gold imports down 41% YoY to total 793 tonnes. Stronger gold prices, a weaker currency and slowing growth have weighed on retail gold demand in the country. It is a similar situation in India, where higher prices especially in local currency terms, along with higher import duties and slowing growth have also pressured gold imports.

Agriculture

US crop exports: Latest data from the USDA shows that soybean export inspections over the last week totaled 1.94mt, up from 1.12mt for the same week last year. This takes total soybean export inspections so far this season to 14.38mt, up from 12.2mt at the same stage last year. This increase does reflect the increased buying we have seen from China, as a result of the tariff quotas that the Chinese government provided to buyers. Further purchases will likely depend largely on how phase one of the trade deal plays out.

Turning to corn and export inspections continue to disappoint. 605kt of corn was inspected for export over the last week, compared to 1.18mt for the same week last year. Cumulative inspections paint a similar picture, with just 5.6mt of corn inspected so far this season, compared to 13.2mt at the same stage last year. These lower numbers come at a time when Brazilian corn exports have hit record levels in recent months, with a record 2018/19 crop.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**63.65**	0.41	18.31
NYMEX WTI (US$/bbl)	**58.01**	0.42	27.75
ICE Gasoil (US$/t)	**583**	0.17	14.10
NYMEX HO (Usc/g)	**194**	0.77	15.68
Eurobob (US$/t)	**585**	0.08	21.87
NYMEX RBOB (Usc/g)	**167**	0.03	26.52
NYMEX NG (US$/mmbtu)	**2.53**	-5.03	-13.91
TTF Natural Gas (EUR/MWh)	**16.24**	1.18	-26.14
API2 Coal (US$/t)	**60**	-0.74	-29.04
Newcastle Coal (US$/t)	**69**	-2.32	-31.51
SGX TSI Coking Coal (US$/t)	**140**	0.00	-33.96
SGX Iron Ore 62% (US$/t)	**89.08**	3.04	28.23

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,455.3**	-0.46	13.47
Spot Silver (US$/oz)	**16.9**	-0.78	9.00
LME Copper (US$/t)	**5,868**	0.22	-1.63
LME Aluminium (US$/t)	**1,736**	-0.17	-5.96
LME Zinc (US$/t)	**2,281**	-1.04	-7.54
LME Nickel (US$/t)	**14,480**	-1.06	35.45
CBOT Corn (Usc/bu)	**371**	0.47	-1.20
CBOT Wheat (Usc/bu)	**531**	3.06	5.51
CBOT Soybeans (Usc/bu)	**893**	-0.50	1.13
ICE No.11 Sugar (Usc/lb)	**12.82**	-0.08	6.57
ICE Arabica (USc/lb)	**118**	2.79	15.66
ICE London Cocoa (GBP/t)	**2,049**	0.10	16.02

Source: Bloomberg, ING Research

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