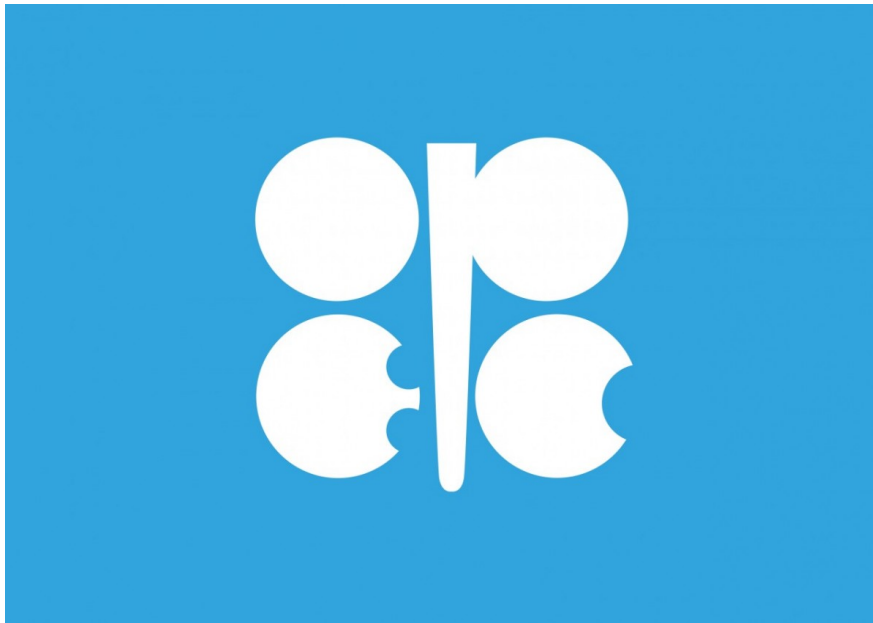


The Commodities Feed: OPEC+ meeting

Your daily roundup of commodity news and ING views



Energy

OPEC+ are set to meet today, and optimism around cuts is growing, with the Russians saying that they would be willing to cut by 1.6MMbbls/d. While this is around 15% of their total output and would be a meaningful cut, it would still be a struggle for the whole of OPEC+ to reach 10MMbbls/d, and therefore require the help of other oil producers if they are to get near this target.

Furthermore, if the group does manage to agree on a 10MMbbls/d cut, while it would offer some short-term relief to the market, it would still not be enough to balance it over 2Q20. So it may not take too long for prices to come under pressure once again.

Another important factor to consider is the reference level for any cuts. Would they use the 1Q20 average, March output, or current levels? It would likely make sense for them to use current output, given that it would make the size of the cuts appear larger. Meanwhile, the duration of the deal will also be important, with sizeable cuts likely needed through to the end of the year in order to start drawing down the sizeable inventory build.

Finally, the EIA reported yesterday that US crude oil inventories grew by a record 15.2MMbbls over the last week, with refinery run rates falling by a further 6.7 percentage points to just 75.6%, lower than the levels seen during Hurricane Harvey in 2017, and the lowest utilisation rate seen since 2008. Despite this large reduction in refining activity, gasoline inventories still increased by

10.5MMbbls, with gasoline demand falling by 1.6MMbbls/d over the week to just 5.07MMbbls/d - the lowest level since the 1990s. This compares to around 9.8MMbbls/d for the same week last year. Despite a bearish report, the market still managed to settle higher on the day, with all attention on potential OPEC+ cuts.

Metals

While metal mine supply disruptions continue to rise, refined supply from China has improved throughout March, compared to the previous month. This partially reflects improved conditions for smelter operations with progress made in containing the Covid-19 outbreak in the country.

Despite being a lagging indicator, the supply of refined metal over the period has far outpaced demand leading to inventory builds, and this situation should last through April. However, the current expectation for April production is that there will be moderate declines. This is due to the fact that low prices have begun to discourage supply. As for copper, the spot treatment charges (TCs) have come under pressure recently with increased smelter operations and mine supply disruptions. This week, the spot TC declined to the same level as the annual benchmark of US\$62.5/tonne. With recent mine disruptions from South America to the African copper belt eventually feeding into shipments, spot TCs will likely continue to come under pressure.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	32.84	3.04	-50.24	Spot Gold (US\$/oz)	1,646.1	-0.10	8.49
NYMEX WTI (US\$/bbl)	25.09	6.18	-58.91	Spot Silver (US\$/oz)	15.0	-0.40	-16.20
ICE Gasoil (US\$/t)	298	0.00	-51.47	LME Copper (US\$/t)	5,003	-0.74	-18.97
NYMEX HO (Usc/g)	101	-1.64	-50.17	LME Aluminium (US\$/t)	1,466	-0.81	-19.03
Eurobob (US\$/t)	184	3.42	-68.13	LME Zinc (US\$/t)	1,923	-0.05	-15.36
NYMEX RBOB (Usc/g)	68	4.60	-60.07	LME Nickel (US\$/t)	11,507	0.31	-17.95
NYMEX NG (US\$/mmbtu)	1.78	-3.73	-18.55	CBOT Corn (Usc/bu)	330	-0.45	-14.89
TTF Natural Gas (EUR/MWh)	7.26	-0.33	-39.76	CBOT Wheat (Usc/bu)	548	-0.18	-1.88
API2 Coal (US\$/t)	47	-1.56	-13.75	CBOT Soybeans (Usc/bu)	855	-0.03	-9.38
Newcastle Coal (US\$/t)	60	-2.85	-13.47	ICE No.11 Sugar (Usc/lb)	10.37	-0.10	-22.73
SGX TSI Coking Coal (US\$/t)	128	-0.10	-9.53	ICE Arabica (Usc/lb)	120	-0.08	-7.63
SGX Iron Ore 62% (US\$/t)	80.80	2.05	-11.52	ICE London Cocoa (GBP/t)	1,888	-0.94	3.79

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 <http://www.ing.com>.