

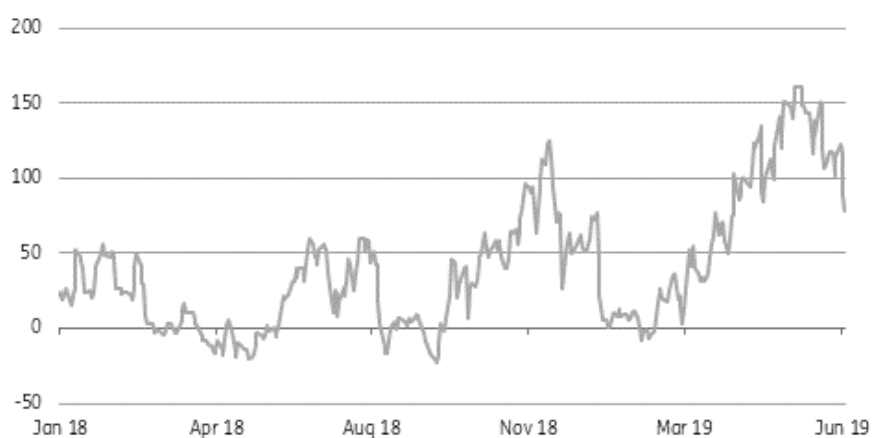
# The Commodities Feed: OPEC+ meeting looms

Your daily roundup of commodity news and ING views



Source: Shutterstock

## LME zinc cash/3 month spread (US\$/t)



Source: Bloomberg, ING Research

## Energy

**OPEC+ meeting:** OPEC+ members meet in Vienna on 1-2 July where the main discussion point will be whether the group will extend production cuts through into the second half of the year. We believe that broader macro uncertainty and concerns over demand growth will force OPEC+ to continue with the deal. As usually is the case, the big unknown is whether Russia will agree to continue with the deal. However the potential downside risk in the market in the event of a no deal will likely be enough to persuade Russia to continue.

Assuming cuts are extended, we hold a constructive view towards the market. We should see a seasonal pick-up in demand over 3Q which, combined with continued cuts from OPEC+ and further declines from Venezuela and Iran (which are exempt from the deal), should see a tightening in the global oil balance.

But before this meeting, broader markets will be closely watching developments at the G-20 summit today and tomorrow, and more specifically how trade talks between Presidents Trump and Xi play out. Another notable meeting that will take place at the G-20 is between Russian President Vladimir Putin and Saudi Crown Prince Mohammed bin Salman.

## Metals

**Codelco strike ends:** After 14 days of striking, workers at Codelco's Chuquibambilla copper mine have accepted the latest offer for a collective contract from the company, which will see miners return to work on Friday. The mine, which produced 321kt of copper last year, had been operating at over 60% of capacity during the industrial action, avoiding any major supply losses over the period.

**Zinc forward curve:** The LME zinc cash/3m spread eased further to US\$78/t yesterday, compared to US\$122/t at the start of the week and year-to-date highs of US\$161/t towards the end of May. Rising supply of zinc concentrate and higher exchange stocks have been improving the metal's availability in the physical market and weighed on the LME spot prices. Earlier, Chinese customs data showed that zinc concentrate imports into the country increased 48% month-on-month (+1% year-on-year) to 264.5kt in May, with YTD imports still down 6.2% YoY to 1.24mt, reflecting that supplies have been improving in recent months.

## Agriculture

**IGC forecasts:** The International Grains Council has lowered its soybean and corn production forecasts for 2019/20 due to poor crop conditions in the US. Latest estimates show global corn production falling to 1,095mt in 2019/20 compared to its May estimate of 1,118mt, and 2018/19 production of 1,130mt. Similarly, soybean production estimates are revised down from 358mt to 349mt for 2019/20. Global demand estimates were left largely unchanged which would see inventories falling by 48mt YoY for corn and by 9mt YoY for soybean. Wheat production estimates are revised higher on better crop conditions in Russia and Europe.

## Daily price update

|                              | Current | % DoD ch | %YTD ch |                          | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl)         | 66.33   | 0.02     | 23.29   | Spot Gold (US\$/oz)      | 1,409.8 | 0.06     | 9.93    |
| NYMEX WTI (US\$/bbl)         | 59.24   | 0.10     | 30.46   | Spot Silver (US\$/oz)    | 15.3    | -0.07    | -1.53   |
| ICE Gasoil (US\$/t)          | 595     | -0.75    | 16.40   | LME Copper (US\$/t)      | 5,989   | 0.02     | 0.40    |
| NYMEX HO (Usc/g)             | 195     | -0.95    | 16.16   | LME Aluminium (US\$/t)   | 1,790   | -1.65    | -3.03   |
| Eurobob (US\$/t)             | 602     | 0.44     | 25.41   | LME Zinc (US\$/t)        | 2,475   | -1.24    | 0.32    |
| NYMEX RBOB (Usc/g)           | 195     | -1.21    | 47.06   | LME Nickel (US\$/t)      | 12,710  | 1.76     | 18.90   |
| NYMEX NG (US\$/mmbtu)        | 2.32    | 1.44     | -20.95  |                          |         |          |         |
| TTF Natural Gas (EUR/MWh)    | 9.38    | -2.54    | -57.35  | CBOT Corn (Usc/bu)       | 440     | -0.73    | 17.33   |
|                              |         |          |         | CBOT Wheat (Usc/bu)      | 548     | 0.69     | 8.79    |
| API2 Coal (US\$/t)           | 49      | -0.60    | -42.44  | CBOT Soybeans (Usc/bu)   | 888     | -0.73    | 0.59    |
| Newcastle Coal (US\$/t)      | 67      | -1.54    | -33.78  | ICE No.11 Sugar (Usc/lb) | 12.53   | 4.16     | 4.16    |
| SGX TSI Coking Coal (US\$/t) | 191     | -0.52    | -9.91   | ICE Arabica (Usc/lb)     | 106     | 0.62     | 3.63    |
| SGX Iron Ore 62% (US\$/t)    | 111.07  | 1.10     | 59.88   | ICE London Cocoa (GBP/t) | 1,786   | -0.83    | 1.13    |

Source: Bloomberg, ING Research

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

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