

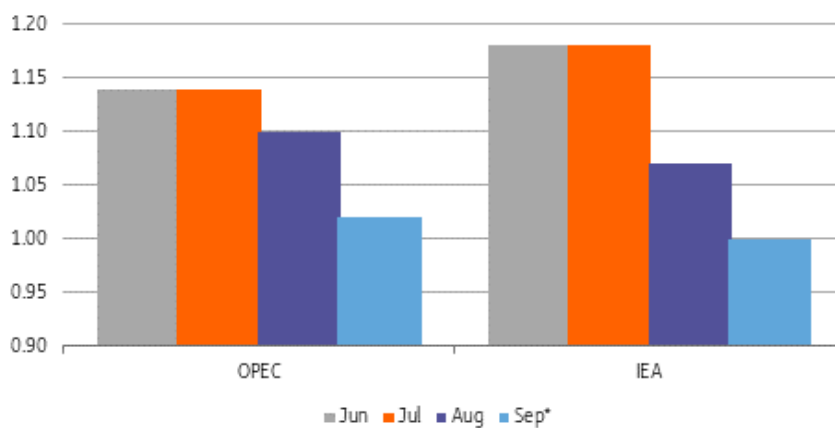
The Commodities Feed: OPEC cuts oil demand forecast

Your daily roundup of commodity news and ING views



Source: iStock

Oil demand growth expectations for 2019 (MMbbls per day)



Source: Bloomberg, ING

Energy

EIA weekly report – The EIA's weekly report showed that crude oil inventories in the US dropped by 6.9MMbbls last week, slightly less than the 7.2MMbbls withdrawal that the API reported but still more than double the 2.5MMbbls drawdown that the market was expecting, according to a Bloomberg survey. The inventory withdrawal comes mainly on the back of lower inflows of crude from external markets; US crude oil imports dropped 179Mbbls/d week-on-week to 6.7MMbbls/d while exports increased 234Mbbls/d WoW to 3.3MMbbls/d. Turning to products, gasoline inventories dropped by 686Mbbls WoW while middle distillate inventories increased by 2.7MMbbls/d. Refinery operating rates in the US gained 0.3% WoW to 95.1% last week, higher than the seasonal average for this time of the year.

OPEC monthly oil report – In its monthly report, OPEC revised down its demand growth forecast for 2019 to 1.02MMbbls/d compared to previous expectations of c.1.1MMbbls/d due to slowing economic growth. The group also revised down its 2020 demand growth forecasts by 60Mbbls/d and now expects oil demand to increase by 1.08MMbbls/d YoY in 2020. The group also expects non-OPEC oil supply to increase by 1.99MMbbls/d in 2019 and 2.25MMbbls/d in 2020. The big difference in demand/supply growth has put pressure on OPEC+ to extend the current cuts or even deepen its output cuts to support oil prices moving forward. For the immediate-term, OPEC+ compliance to the output agreement was reported to have slipped from 159% in July to 136% in August after Saudi Arabia and Nigeria raised output for the month.

Metals

Zinc price rebound – LME zinc prices have gained more than 7% in little more than a week amid the continuous drawdown in LME zinc inventories. LME zinc stocks dropped to 63.4kt yesterday, the lowest stocks since April 2019, with another 23.4kt of stocks earmarked for withdrawal. Further price support came from optimism over US-China trade talks after the US delayed the additional 5% tariffs on US\$250bn of Chinese goods by two weeks. New tariffs will be now implemented from 15 October instead of 1 October as announced earlier. China has also announced a tariff delay on some US products. China and the US are set to hold the next round of trade discussions next month and tariff delays are seen to be creating an amiable atmosphere for these talks.

Agriculture

Coffee shipments – Brazil has been witnessing dry weather recently which risks impacting the coffee crop, as the flowering season for coffee has started. Arabica coffee prices increased around 8% over the past week as traders fear that the Brazilian harvest may not be as strong as previously expected due to adverse weather. Brazil is the largest coffee producer and exporter. Meanwhile, data from Cecafe shows that Brazilian coffee exports dropped 8.5% YoY to 2.9m bags in August 2019. Another large coffee exporter, Vietnam, also reported that its coffee shipments dropped 25.4% YoY to 114.2kt in August 2019 with year-to-date exports down 11.7% YoY to 1.2mt.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 60.81 | -2.52 | 13.03 | Spot Gold (US\$/oz) | 1,497.2 | 0.77 | 16.74 |
| NYMEX WTI (US\$/bbl) | 55.75 | -2.87 | 22.77 | Spot Silver (US\$/oz) | 18.1 | 0.65 | 16.94 |
| ICE Gasoil (US\$/t) | 590 | -1.87 | 15.42 | LME Copper (US\$/t) | 5,773 | -0.90 | -3.23 |
| NYMEX HO (Usc/g) | 190 | -1.45 | 13.23 | LME Aluminium (US\$/t) | 1,825 | 0.27 | -1.14 |
| Eurobob (US\$/t) | 568 | -0.95 | 18.51 | LME Zinc (US\$/t) | 2,363 | 1.07 | -4.22 |
| NYMEX RBOB (Usc/g) | 157 | -1.31 | 18.60 | LME Nickel (US\$/t) | 17,850 | -1.08 | 66.98 |
| NYMEX NG (US\$/mmbtu) | 2.55 | -1.09 | -13.20 | | | | |
| TTF Natural Gas (EUR/MWh) | 14.36 | -0.34 | -34.70 | CBOT Corn (Usc/bu) | 348 | -0.07 | -7.13 |
| | | | | CBOT Wheat (Usc/bu) | 478 | -1.44 | -5.12 |
| API2 Coal (US\$/t) | 65 | -0.23 | -23.38 | CBOT Soybeans (Usc/bu) | 854 | -0.61 | -3.23 |
| Newcastle Coal (US\$/t) | 68 | -0.88 | -33.28 | ICE No.11 Sugar (Usc/lb) | 10.81 | -0.64 | -10.14 |
| SGX TSI Coking Coal (US\$/t) | 146 | | -31.10 | ICE Arabica (Usc/lb) | 100 | 1.83 | -1.67 |
| SGX Iron Ore 62% (US\$/t) | 90.92 | 2.38 | 30.88 | ICE London Cocoa (GBP/t) | 1,613 | -0.98 | -8.66 |

Source: Bloomberg, ING

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