

The Commodities Feed: Record gold ETF inflows

Your daily roundup of commodity news and ING views



The World Gold Council expects banks to continue buying gold in 2024, given the persistent economic and geopolitical uncertainty against a backdrop of high inflation

Energy

API numbers released overnight were somewhat different to what the market was expecting, with crude oil inventories growing by 2.05MMbbls over the last week, compared to expectations of a draw of around 3MMbbls. On the product side, draws were seen for both gasoline and distillate fuel oil, which showed decreases of 1.83MMbbls and 847Mbbls respectively. The surprise decline in gasoline inventories provided some upside to gasoline cracks, with the market expect a small build. Although let's see what EIA numbers later today show when it comes to implied demand, as the data should reflect any impact from the tightening of Covid-19 related restrictions in several states.

The EIA released its latest Short Term Energy Outlook yesterday, where they revised their US crude oil production estimate for 2020 slightly up from 11.57MMbbls/d to 11.64MMbbls/d. While further downward revisions were made to production estimates for May and June, for the remainder of the year output was slightly raised, likely on the back of a stronger price environment and the fact that producers are set to bring back shut-in production. Meanwhile for 2021, the EIA is forecasting US production to average 11.01MMbbls/d, up from their previous forecast of 10.84MMbbls/d.

Metals

Gold prices have resumed their move higher, with spot gold breaking above the highs seen in 2012, and edging ever closer to the US\$1,800/oz mark. In its latest update, the World Gold Council showed that gold-backed ETFs recorded their seventh consecutive monthly increase, with inflows of 104t in June, which took global holdings to a new record of 3,621t. During 1H20, global ETF net inflows totalled 734t; exceeding the previous annual record of inflows, as well as surpassing the levels of net gold purchases seen from central banks in 2018 and 2019.

Turning to copper, and China in its ninth batch of scrap metal import quotas, approved a total of 177kt of copper scrap (third-largest amount so far this year), significantly higher than the 1.6kt approved in the previous batch. Meanwhile, looking at mine supply, First Quantum is set to resume production at its Cobre Panama copper mine, after the government lifted the temporary Covid-19 related suspensions. The mine has been shut for 3 months, and is expected to reach its full capacity by mid-August. For zinc, Huanzala and Palka zinc mines are reported to have restarted operations, after having closed in March.

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>.