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COMMODITIES DAILY

The Commodities Feed: Record LNG prices

Your daily roundup of commodity news and ING views



Energy

Oil remains well supported as we near the end of the week, which shouldn't come as too much of a surprise, given the bullish outcome of the OPEC+ meeting earlier in the week, with Saudi Arabia announcing an additional 1MMbbls/d output cut over February and March. This was followed by the large US crude oil inventory drawdown reported by the EIA earlier in the week, which only provided further support. Meanwhile, the broader weakness that we have seen in the USD has not only proved constructive for oil, but also the broader commodities complex. Although saying that, the USD has had a bit of rebound over the last couple of days.

Moving on, and the cold weather that we are currently seeing in North Asia is helping to reduce middle distillate stocks in the region. Latest data from Singapore shows that middle distillate inventories fell by 689Mbbbls over the last week, leaving stocks at their lowest level since August.

Colder weather has proved bullish for the energy complex, and in particular spot Asian LNG prices, with JKM trading above US\$20/MMBtu. Japan is the latest country to face LNG shortages amid colder weather, and has led to power generators reducing their run rates. This colder-than-usual weather has come at a time when the LNG market has also been

experiencing supply issues, while LNG cargoes passing through the Panama Canal have faced delays, and only to add to that, shipping rates have rallied significantly. While spot LNG prices are trading at record levels, they are expected to remain well supported in the coming weeks, with colder-than-usual weather in North Asia expected to continue.

Metals

The rebound in the USD yesterday put a lid on metals prices, and this together with rising US nominal yields kept London spot gold under pressure. According to the latest update from the World Gold Council, central banks were a net seller of gold in November, with official global gold reserves falling by 6.5t in the month. The majority of the sales came from Turkey's central bank, with it offloading 20.9t of gold, whilst central banks in India, Qatar and Uzbekistan all added to their reserves.

Meanwhile, DCE iron ore futures rose over 1% yesterday as China reported new local coronavirus cases in the Hebei province (a major hub for steelmaking cities including Tangshan) and Liaoning province. The outbreak of new cases has raised concerns over transport restrictions and the movement of workers. However, there were also reports that raw material inventories at major mills remained ample so far; thus, no immediate risks. Investors are focusing on how soon the outbreak will come under control, and when logistic restrictions will be removed in the province.

Agriculture

CBOT soybeans traded lower yesterday, and this trend has continued this morning, after the USDA reported weak export sales over the last week. USDA weekly data shows that soybean export sales from the US dropped to 117kt over the last week (lowest weekly export sales since May 2019), after China cancelled shipments of around 347kt, possibly on stronger prices in the US market which made Brazilian soybean quite competitive. US soybean prices have strengthened by around 20% since the end of November 2020 whilst Brazilian soybean prices are largely flat over the same period. Meanwhile, Argentina's Grains Inspectors' union (along with tugboat and maritime workers) called-off a month-long strike yesterday after finalizing a deal on wages and bonuses, which further weighed on sentiment.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

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