

The Commodities Feed: Rekindled weakness

Your daily roundup of commodity news and ING views



Energy

The oil market has started to come under renewed pressure, with ICE Brent settling almost 4% lower yesterday, and this weakness has continued in early morning trading in Asia. Growing tensions between the US and China is not helpful for the market, while the surprise crude oil inventory-build that the API reported overnight has only added further pressure, with US stocks increasing by 8.7MMbbls, compared to market expectations for a drawdown of 1.9MMbbls. If a similar build is confirmed by the EIA in its report later today, it would be the largest build seen so far this month.

The recent pressure on the market has come despite the Russian President and the Saudi Crown Prince discussing the oil market yesterday ahead of the OPEC+ meeting on the 9-10 June. Both agreed that “close coordination” will be needed, and the importance of joint efforts in order to achieve the OPEC+ agreement. This follows comments earlier in the week, where there were suggestions that Russia believed that it was still too early to decide if an extension of deeper cuts was needed over 2H20.

Finally, the oil minister in Alberta, Canada has said that producers in the province have curtailed around 1MMbbls/d of output as a result of market forces, which is equivalent to around 25% of the province's total output. Given these market-driven declines, the minister does not feel that further production cuts will need to be implemented in the province. Cuts from Alberta have been

reflected in the West Canada Select differential, with its discount to WTI narrowing to as little as US\$3/bbl earlier in May, from a discount of US\$20/bbl in early April. More recently though, it has given back some of this strength and is now trading at almost a US\$8/bbl discount to WTI.

Metals

Base metals failed to extend the upward rally yesterday with the ongoing tension between the US and China continuing to weigh on risk assets. LME copper settled almost 2% lower on the day, while zinc was the worst performer, closing down more than 3%.

Yesterday, the Peru-based Antamini mine (cu/zn mine) confirmed in a statement that it will restart operations. Initially, the mine will operate at 80% of capacity, before returning to full capacity in the third quarter. Meanwhile, the International Wrought Copper Council (IWCC) expects the copper market to remain in a surplus of 285kt this year and expects it to expand further in 2021 to 675kt. The group also estimates refined copper production to reach 22.9mt in 2020, and 24.3mt in 2021. Demand is expected to contract 5.4% this year mainly due to Covid-19 related demand destruction; however, it could rebound by 4.4% in 2021, tracking the gradual recovery in major consuming economies.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	34.74	-3.95	-47.36	Spot Gold (US\$/oz)	1,709.5	-0.06	12.67
NYMEX WTI (US\$/bbl)	32.81	-4.48	-46.27	Spot Silver (US\$/oz)	17.3	0.73	-3.32
ICE Gasoil (US\$/t)	287	-3.45	-53.30	LME Copper (US\$/t)	5,260	-1.91	-14.81
NYMEX HO (Usc/g)	97	-1.89	-52.07	LME Aluminium (US\$/t)	1,525	0.36	-15.75
Eurobob (US\$/t)	247	-0.98	-57.21	LME Zinc (US\$/t)	1,921	-3.10	-15.47
NYMEX RBOB (Usc/g)	99	-5.30	-41.49	LME Nickel (US\$/t)	12,116	-1.82	-13.61
NYMEX NG (US\$/mmbtu)	1.72	-3.96	-21.33	CBOT Corn (Usc/bu)	321	0.47	-17.34
TTF Natural Gas (EUR/MWh)	3.70	-10.38	-69.34	CBOT Wheat (Usc/bu)	505	-0.44	-9.71
API2 Coal (US\$/t)	43	0.00	-21.84	CBOT Soybeans (Usc/bu)	849	0.18	-10.02
Newcastle Coal (US\$/t)	55	-1.07	-19.77	ICE No.11 Sugar (Usc/lb)	10.80	-2.26	-19.52
SGX TSI Coking Coal (US\$/t)	110	-0.55	-22.19	ICE Arabica (Usc/lb)	103	-2.47	-20.97
SGX Iron Ore 62% (US\$/t)	93.92	1.29	2.85	ICE London Cocoa (GBP/t)	1,926	-0.87	5.88

Source: Bloomberg, ING Research

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