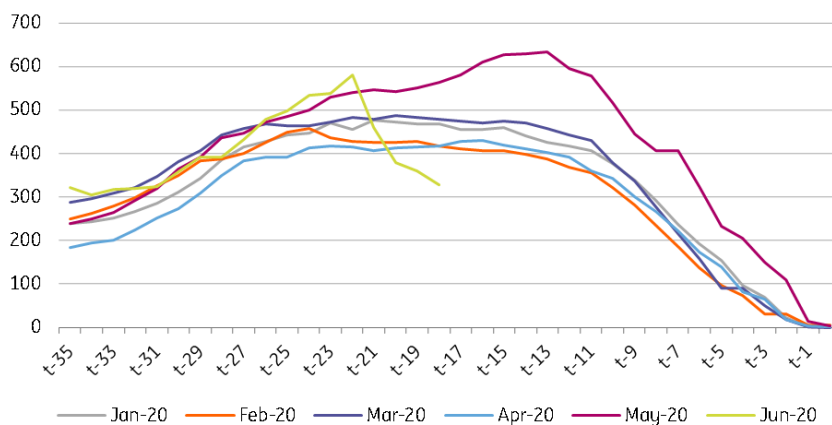


The Commodities Feed: Rolling pressure weighs on WTI

Your daily roundup of commodity news and ING views



NYMEX WTI contract open interest leading into expiry (000 lots)



Source: Bloomberg, ING Research

Energy

Oil markets came under pressure yesterday, with the selloff led by WTI. The NYMEX WTI June contract settled almost 25% lower on the day, and this pressure has continued in early morning

trading today. The weakness in the front-month contract has also led to the Jun/Jul contango widening to more than US\$6/bbl. The main catalyst for the move appears to be news that the US Oil Fund will roll its current position in the WTI Jun-20 contract to contracts further down the board, due to market conditions and regulatory reasons. The latest data show that the US Oil Fund holds around 4% of total open interest in the WTI Jun-20 contract, and this has fallen in recent weeks as the fund has made numerous changes to its investment policy over the past couple of weeks.

The funds move away from the Jun-20 contract highlights a trend that we are seeing among market players - no one wants to be among the last to close out their position ahead of expiry, fearing a repeat of the May expiry. This trend is evident when looking at contract open interest in the Jun-20 contract, which fell by around 44% over the course of last week. This is an early exit from the contract, when you consider that the Jun-20 contract is set to only expire on the 19 May. The move we are seeing suggests that the Jun-20 contract is going to become increasingly illiquid, and as a result, will likely suffer from increased volatility in the lead up to expiry.

Looking ahead, and all attention will be on inventory numbers this week, and in particular the build we see at Cushing, the WTI delivery hub. If we see similar builds to the last few weeks, we will likely reach full capacity at Cushing over the first half of May, which should maintain bearish pressure on the market.

Metals

Following news on Sunday that the Yunnan provincial government in China plans a stockpiling plan for base metals, another province, Gansu announced similar action on Monday. This has helped to provide some support to the metals complex, with LME copper settling more than 1.1% higher yesterday and trading to levels last seen back in mid-March.

As for China demand, we have discussed fairly regularly developments in the scrap market and the fact that we have seen increased cathode demand, due to tightness in scrap availability. The latest data from China Customs shows that scrap imports in 1Q20 fell by 16% from the prior quarter, with a significant decline from major import origins, including Hong Kong to the Mainland, the United Kingdom, Germany and the United States. While imports over the period from top supplier Malaysia actually increased by 5% on a quarterly basis, the major impact to shipments from the country may only be felt in April, as the country entered lockdown in late March. Meanwhile, the latest data from the International Copper Study Group (ICSG) shows that global copper mine production remained almost flat YoY, and stood at 1.7mt in January. The group said that the copper market remained balanced during the first month of the year. Meanwhile, global refined production increased 3% YoY to 2mt, while total apparent usage remained flat at 2mt in January.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	19.99	-6.76	-69.71	Spot Gold (US\$/oz)	1,714.0	-0.90	12.97
NYMEX WTI (US\$/bbl)	12.78	-24.56	-79.07	Spot Silver (US\$/oz)	15.2	-0.29	-14.81
ICE Gasoil (US\$/t)	191	-6.95	-68.93	LME Copper (US\$/t)	5,197	1.12	-15.82
NYMEX HO (Usc/g)	61	-5.61	-69.91	LME Aluminium (US\$/t)	1,507	-0.46	-16.74
Eurobob (US\$/t)	160	-1.99	-72.36	LME Zinc (US\$/t)	1,905	1.17	-16.15
NYMEX RBOB (Usc/g)	65	-1.95	-61.82	LME Nickel (US\$/t)	12,244	-0.02	-12.70
NYMEX NG (US\$/mmbtu)	1.82	4.18	-16.90				
TTF Natural Gas (EUR/MWh)	5.94	2.96	-50.70	CBOT Corn (Usc/bu)	306	-3.25	-21.21
				CBOT Wheat (Usc/bu)	521	-1.09	-6.76
API2 Coal (US\$/t)	39	-4.87	-28.78	CBOT Soybeans (Usc/bu)	829	-0.39	-12.09
Newcastle Coal (US\$/t)	51	-3.14	-26.29	ICE No.11 Sugar (Usc/lb)	9.21	-5.34	-31.37
SGX TSI Coking Coal (US\$/t)	110	-1.44	-22.07	ICE Arabica (Usc/lb)	105	-0.57	-19.35
SGX Iron Ore 62% (US\$/t)	81.33	-0.02	-10.94	ICE London Cocoa (GBP/t)	1,982	-0.40	8.96

Source: Bloomberg, ING Research

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