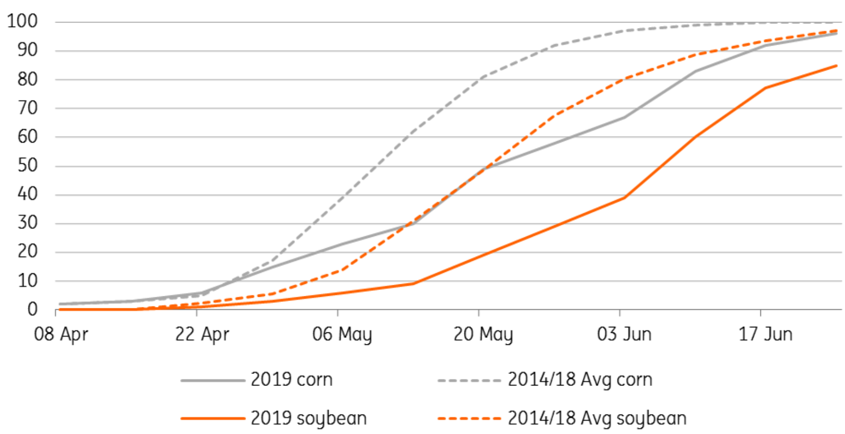
The Commodities Feed: Oil cuts and the crop report

Your daily roundup of commodity news and ING views

US corn and soybean planting progress (%)



Source: USDA, ING Research

Energy

US crude oil inventories: The API is scheduled to release US inventory numbers later today, and expectations are that crude oil inventories fell by around 2.9MMbbls over the last week. Both the front month WTI spread and the WTI/Brent discount signal a relative improvement in the state of the US market. The front month WTI spread has traded from a contango of US$0.20/bbl in mid-June to a discount of just US$0.04/bbl currently, whilst the WTI/Brent spread has narrowed from more than a US$9/bbl discount in mid-June to a discount of around US$7/bbl at the moment. Oddly though, whilst the EIA reported drawdowns last week, and expectations are for draws this week, the US market is still more than comfortably supplied, with total US inventories standing at 482MMbbls versus the five-year average of 445MMbbls for this stage of the year. Furthermore, Cushing inventories continue to edge higher, standing at almost 54MMbbls last week- levels last seen back in late 2017.

OPEC+ cuts: The start of next week sees the OPEC+ mid-year meeting finally get underway in Vienna. The market is largely expecting that OPEC+ will continue with production cuts over the second half of this year, and this is something that a number of OPEC members, including Saudi Arabia have stated that the market needs. However, there is still uncertainty over what Russia will do. The Russian oil minister told reporters in St. Petersburg yesterday that it is still “too early to say” whether the deal will be extended, and that a decision will need to be made following the G-20 summit this week. Markets will be watching this gathering closely, with China and the US set to resume trade talks.

Metals

Iron ore: Vale announced that it restarted operations at the 30mtpa Brucutu mine over the weekend, after a federal court removed the injunction on wet-processing of ore at the dam last week. The restart of the mine sees Vale bring back almost a third of output that they were forced to shut following the dam accident. While the news has put some downward pressure on iron ore prices this morning, the seaborne market will still remain tight this year. Meanwhile, port inventory of iron ore in China dropped for the 11th consecutive week, falling by around 2mt last week, with around 32mt of iron ore stocks being withdrawn over the past two and half months, and leaving stocks at just below 117mt.

Meanwhile, the Chinese city of Tangshan has ordered steel mills in the city to extend capacity cuts to the end of July due to pollution remaining above desired levels. The news has been supportive for steel prices, with the most active SHFE rebar contract surging towards CNY4,000/t this morning.

Agriculture

US crop progress: The USDA’s weekly crop progress report shows that planting slowed down again last week due to wet weather across much of the producing belt. Corn planting improved from 92% to 96% last week, which is usually completed before mid-June. Similarly soybean plantings recovered from 77% to 85% last week- usually plantings are completed by now. The crops are also not looking in the best shape, with 56% of the corn crop rated good-to-excellent, compared to 59% last week and 77% last year. For soybeans, only 54% of the crop was in good-to-excellent condition compared to 73% last year.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**64.86**	-0.52	20.56	Spot Gold (US$/oz)	**1,419.7**	1.44	10.70
NYMEX WTI (US$/bbl)	**57.9**	0.82	27.50	Spot Silver (US$/oz)	**15.4**	0.63	-0.33
ICE Gasoil (US$/t)	**580**	-1.24	13.51	LME Copper (US$/t)	**5,960**	-0.18	-0.08
NYMEX HO (Usc/g)	**191**	-0.36	13.57	LME Aluminium (US$/t)	**1,793**	1.44	-2.87
Eurobob (US$/t)	**598**	-0.12	24.75	LME Zinc (US$/t)	**2,491**	2.38	0.97
NYMEX RBOB (Usc/g)	**185**	-0.06	40.13	LME Nickel (US$/t)	**12,140**	0.41	13.56
NYMEX NG (US$/mmbtu)	**2.30**	5.35	-21.67				
TTF Natural Gas (EUR/MWh)	**10.20**	-1.52	-53.61	CBOT Corn (Usc/bu)	**447**	1.02	19.13
				CBOT Wheat (Usc/bu)	**538**	2.28	6.91
API2 Coal (US$/t)	**56**	-0.18	-34.59	CBOT Soybeans (Usc/bu)	**909**	0.69	3.00
Newcastle Coal (US$/t)	**70**	-1.20	-30.92	ICE No.11 Sugar (Usc/lb)	**12.27**	0.41	2.00
SGX TSI Coking Coal (US$/t)	**192**	-0.26	-9.43	ICE Arabica (USc/lb)	**102**	2.20	0.15
SGX Iron Ore 62% (US$/t)	**111.39**	-0.10	60.34	ICE London Cocoa (GBP/t)	**1,812**	-0.66	2.60

Source: Bloomberg, ING Research

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

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