

The Commodities Feed: Russian oil contamination

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

Russian oil issues: ICE Brent pushed above US\$75/bbl yesterday, with news that a number of refineries in Poland, Germany and Slovakia suspended Russian oil imports via the Druzhba pipeline. High levels of organic chlorides are behind the suspension, which can lead to severe corrosion of refinery equipment. The Druzhba pipeline has a capacity of 1MMbbls/d, and reports suggest that the volume to Poland and Germany that was suspended was in the region of 700Mbbls/d. There have also been reports of contamination with crude loadings at the Baltic Sea terminal in Ust Luga. While more recently Ukraine has shut the Southern section of the Druzhba pipeline due to the same issue.

Russia has said that it plans to start pumping “clean and quality crude oil” through the pipeline as early as the 29 April. But some of the affected refineries expect the problem to continue for another week or two. In the meantime, refineries will have to turn to inventories and the seaborne market to ensure supply.

The disruption is clearly supportive for the spot market, which is reflected in the strength in the prompt Brent spread. But the bigger issue is that once again we are seeing disruptions to the heavier crude grades, a market which is already tight.

Metals

USD strength and base metals: The US dollar index continues to strengthen, reaching levels not seen since May 2017. This broader strength in the currency has weighed more recently on the base metals complex. US GDP numbers for 1Q are set to be released later today and it is looking increasingly likely that growth over the quarter could be somewhat stronger than many originally anticipated. If this turns out to be the case, we could see further USD strength, which could put some more downward pressure on the metals complex. Fundamentally though, we remain largely constructive towards the base metals complex in the medium- to long-term.

Lead smelter maintenance: A number of Chinese smelters will start maintenance next month, which is expected to impact almost 25,000 – 30,000 mt of primary lead production. Currently, operating rates in Henan, Hunan and Yunnan provinces averaged 59%. Lead prices have been under pressure for some time now, however smelter maintenance could offer some support to the market.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	74.35	-0.30	38.20	Comex Silver (US\$/oz)	14.9	-0.25	-4.25
NYMEX WTI (US\$/bbl)	65.21	-1.03	43.60	LME Copper (US\$/t)	6,365	-1.29	6.71
ICE Gasoil (US\$/t)	646	0.31	26.53	LME Aluminium (US\$/t)	1,857	-0.80	0.60
NYMEX HO (Usc/g)	210	-0.03	24.83	LME Zinc (US\$/t)	2,741	-0.04	11.11
Eurobob (US\$/t)	685	-0.10	42.77	LME Nickel (US\$/t)	12,325	-0.66	15.29
NYMEX RBOB (Usc/g)	213	0.17	61.07	CBOT Corn (Usc/bu)	348	0.22	-7.33
NYMEX NG (US\$/mmbtu)	2.51	2.11	-14.49	CBOT Wheat (Usc/bu)	435	0.58	-13.61
API2 Coal (US\$/t)	63	-0.16	-26.68	CBOT Soybeans (Usc/bu)	859	0.47	-2.63
NYMEX Coking Coal (US\$/t)	204	0.00	-10.15	ICE No.11 Sugar (Usc/lb)	12.36	-2.52	2.74
				ICE Arabica (Usc/lb)	92	1.77	-9.62
				ICE London Cocoa (GBP/t)	1,838	0.49	4.08

Source: Bloomberg, ING Research

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>.