

The Commodities Feed: Russian resistance?

Your daily roundup of commodity news and ING views



Source: Shutterstock

Shanxi alumina premium over Australia FOB (US\$/t)



Source: Bloomberg, ING Research

Energy

US crude oil inventories: The API reported yesterday that US crude oil inventories increased by

3.55MMbbls over the last week, which was very different from the 2MMbbls drawdown that the market was expecting. The stock build does not help sentiment in the current market environment, particularly for WTI, with the prompt spread remaining in contango, as opposed to the Brent market, where prompt time spreads remain strong. The API also reported larger than expected builds in both gasoline and distillate fuel oil, which increased by 2.7MMbbls and 6.31MMbbls, respectively. The more widely followed EIA report will be released later today.

Russia and OPEC+: There seems to be growing resistance from Russian oil producers to extend the current production cut deal through until the end of the year. Rosneft's CEO said that continuing cuts would only mean that Russia would give up market share, with the US filling the void. However, we believe that if the market continues to trade around current levels towards the OPEC+ meeting members of the deal will be forced to cut output, or potentially face further flat price weakness.

Metals

Chinese copper TCs: The recent collapse in copper treatment charges (TC) in the spot market is sending alarm bells to Chinese smelters. The latest assessment from SMM was \$61-64/t, about 23% lower than the beginning of this year; while \$60 would be a breakeven level for many. In the case that spot TCs continued to fall, those without a long-term supply contract would probably feel the pain first. This could potentially increase the risk of delays to smelting capacity in the pipeline for the second half of the year.

China alumina: After increasing nearly 20% from the April lows, Chinese alumina prices have softened this month as traders pause on spot alumina purchases due to high prices. The Chinese alumina market tightened considerably in April/May due to plant closures in Shanxi province following a red mud spill in the province. The Chinese alumina premium over seaborne alumina increased from US\$4/t in April to an average of US\$78/t in May, reflecting a tightening domestic market. The higher premium should mean stronger alumina imports, at least until Shanxi refineries are restarted.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	61.97	1.13		15.19		Comex Silver (US\$/oz)	14.8	0.20		-4.96	
NYMEX WTI (US\$/bbl)	53.48	0.43		17.77		LME Copper (US\$/t)	5,879	0.63		-1.44	
ICE Gasoil (US\$/t)	561	-0.22		9.74		LME Aluminium (US\$/t)	1,786	0.51		-3.25	
NYMEX HO (Usc/g)	182	0.83		8.37		LME Zinc (US\$/t)	2,476	0.30		0.34	
Eurobob (US\$/t)	607	-1.71		26.65		LME Nickel (US\$/t)	11,811	-0.56		10.49	
NYMEX RBOB (Usc/g)	172	-0.98		30.26		CBOT Corn (Usc/bu)	425	0.24		13.40	
NYMEX NG (US\$/mmbtu)	2.42	0.54		-17.82		CBOT Wheat (Usc/bu)	507	-2.41		0.79	
API2 Coal (US\$/t)	54	1.51		-37.07		CBOT Soybeans (Usc/bu)	882	0.31		-0.08	
NYMEX Coking Coal (US\$/t)	199	-0.75		-12.46		ICE No.11 Sugar (Usc/lb)	12.42	1.89		3.24	
						ICE Arabica (Usc/lb)	106	1.83		3.73	
						ICE London Cocoa (GBP/t)	1,769	1.03		0.17	

Source: Bloomberg, ING Research

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