

# The Commodities Feed: Saudi Aramco OSP increase

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## Energy

Yesterday saw the Saudis release their official selling prices (OSPs) for August, and once again Aramco increased their pricing for most crude grades into Asia, the US and Europe. Arab Light into Asia for August will see the OSP increase by US\$1/bbl to leave it at US\$1.20/bbl over the benchmark, which is less than the market was expecting. This follows also record differentials seen for Russian Urals in NW Europe recently. While record output cuts from the Saudis and the rest of OPEC+ support the idea of stronger differentials, this again will not be welcome news for refiners, doing little to help their margins, which are already under significant pressure.

Later today, the EIA will release its Short Term Energy Outlook, which will include its forecasts for US oil production for the remainder of this year and 2021. Given the stronger price environment, and the fact that a number of US producers have indicated that they will bring back shut-in production over July, it will be interesting to see how this is reflected in their latest projections. Last month the EIA forecast that 2020 production would average 11.57MMbbls/d, down around 660Mbbls/d YoY, whilst it was projected that 2021 output would fall by a further 725Mbbls/d. Finally, the API will release its weekly inventory numbers later today as well, and expectations are

that US crude oil inventories declined by around 3MMbbls over the last week.

## Metals

The metals complex switched to risk-on mode yesterday, boosted by optimism in global equity markets. Meanwhile LME copper inventories have finally broken their usual zig-zag pattern, with stocks falling to 198kt, levels last seen in mid-March. The nearby spreads remain tight, with the cash-3M spread trading in backwardation.

Aluminium's tom-next spread eased yesterday, while the LME (lagged) warrant holding data, still suggests a dominant position holder. LME aluminium inventories continue their downward trend, although markets are talking about large opaque unreported inventories and noting the fact that the LME will reveal private warehouse figures from 10 July. For years, unreported inventories have remained a 'known-unknown' to market participants. Unreported inventories outside China are estimated to be anywhere between 0.6-14 mt.

Finally, in the zinc and lead market, miner Trevali has reportedly delayed the restart of its suspended Santander mine in Peru after more workers tested positive for Covid-19. While in Australia, the Century zinc mine has declared commercial production, after the ramping up of operations, and record output in June.

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