The Commodities Feed: Saudi OSP increase

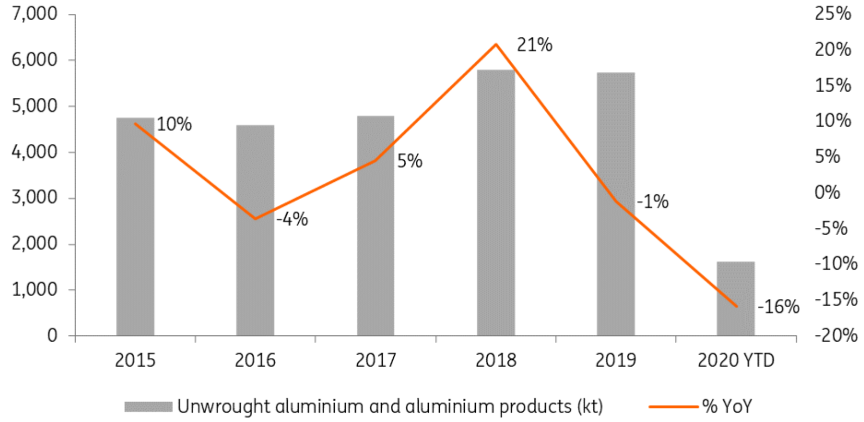
Your daily roundup of commodity news and ING views

Energy

Oil markets remain fairly well supported, with ICE Brent settling just below $30/bbl, while the time spreads are also suggesting a somewhat healthier market, with the ICE Brent Jul/Aug spread trading at a contango of around US$0.94/bbl, compared to around US$2.50/bbl towards the end of April. Part of the narrowing in these spreads also likely comes down to the fact that tanker rates have fallen sharply since the end of April, and so reducing the cost of floating storage. The move in the NYMEX WTI time spreads has been even more impressive, with the Jun/Jul spread moving from a contango of around US$7/bbl in late April to around US$1.36/bbl currently. It does seem that worries over limited storage capacity are easing.

Meanwhile the Saudis this week increased their official selling price (OSP) for most grades of their oil, and into most regions for June. The OSP for Arab Light into Asia was increased by US$1.40/bbl to leave it at a discount of US$5.90/bbl to the benchmark. This would be the first increase in the OSP in three months and comes at a time when Saudi Arabia, along with the rest of OPEC+ are cutting output by 9.7MMbbls/d in a bid to stabilise markets. However the biggest MoM increases from Saudi Arabia was for their crude oil going into the Med and Europe, the OSP for Arab Light into Europe was increased by US$6.55/bbl. Meanwhile, Russian Urals into Europe has also strengthened as a result of a reduction in loadings.

China aluminium exports



Source: China Customs, ING Research

Metals

In base metals, prices of all major metals traded in the green yesterday supported by the unexpected jump in exports from China in April. Zinc was one of the better performers yesterday, rallying by more than 1.4%, and managing to settle above US$2000/t- levels last seen back in mid-March. Zinc continues to be supported by concerns over mine supply, and the cash/3M spread did recently trade into a small backwardation on the back of better demand prospects and reduced supplies. Moreover, falling treatment charges in China, which currently stand at US$175/t as of yesterday, compared to the recent high of US$305/t in February, confirm the tightening in concentrate supply, following multiple temporary mine closures during the coronavirus outbreak.

The latest trade numbers from China Customs show that unwrought copper imports jumped 14% YoY and 4.4% MoM to 461kt in April, supported by the recovering manufacturing sector in the nation, a key source for copper demand. YTD imports were also up 10.5% YoY to total 1.75mt. Copper ore and concentrate imports also remained strong and rose 22.5% YoY and 14% MoM to reach 2.02mt last month, as domestic smelters ramped up their operations with logistics returning to normal. Overall, concentrate imports were up 5% YoY and totalled 7.6mt during the first four months of the year. On the contrary, exports of unwrought aluminium contracted sharply by 11.4% YoY and 14% MoM to total 441kt in April, as the spreading of Covid-19 outside of China resulted in a lack of demand from overseas markets. Similarly, exports for steel products fell 12% YoY to total 20.6mt in the first four months of the year.

In ferrous metals, the most active SGX iron ore contract surpassed US$84/t yesterday, as strong raw material import numbers from China once again revived hopes for improving downstream demand. The latest China Customs data show that iron ore imports in China rose 11.4% MoM to total 95.7mt in April, as the restart of domestic steel mills encouraged more raw material purchases. Also, unfavourable weather conditions, which pushed shipments lower over the first quarter, resulted in higher import numbers last month. YTD iron ore imports were up 5.3% YoY to total 358mt.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**29.46**	-0.87	-55.36
NYMEX WTI (US$/bbl)	**23.55**	-1.83	-61.43
ICE Gasoil (US$/t)	**238**	4.28	-61.28
NYMEX HO (Usc/g)	**84**	1.59	-58.73
Eurobob (US$/t)	**237**	4.61	-58.93
NYMEX RBOB (Usc/g)	**93**	6.22	-45.14
NYMEX NG (US$/mmbtu)	**1.89**	-2.57	-13.48
TTF Natural Gas (EUR/MWh)	**5.85**	1.46	-51.48
API2 Coal (US$/t)	**47**	1.18	-19.00
Newcastle Coal (US$/t)	**53**	0.28	-23.39
SGX TSI Coking Coal (US$/t)	**115**	1.31	-18.90
SGX Iron Ore 62% (US$/t)	**82.81**	2.23	-9.32

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,716.1**	1.80	13.10
Spot Silver (US$/oz)	**15.3**	3.32	-14.04
LME Copper (US$/t)	**5,274**	1.46	-14.58
LME Aluminium (US$/t)	**1,485**	0.37	-17.96
LME Zinc (US$/t)	**2,004**	1.44	-11.82
LME Nickel (US$/t)	**12,330**	0.22	-12.09
CBOT Corn (Usc/bu)	**316**	1.36	-18.50
CBOT Wheat (Usc/bu)	**529**	0.81	-5.32
CBOT Soybeans (Usc/bu)	**842**	1.32	-10.76
ICE No.11 Sugar (Usc/lb)	**10.33**	0.58	-23.03
ICE Arabica (USc/lb)	**107**	-1.74	-17.15
ICE London Cocoa (GBP/t)	**2,011**	1.93	10.56

Source: Bloomberg, ING Research

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