

# The Commodities Feed: Saudis cut OSP despite deal

Your daily roundup of commodity news and ING views



## Energy

Looking at where oil settled yesterday, one would not think that a [historical output cut deal was made over the weekend](#), with ICE Brent settling less than 1% higher from Thursday's close. Clearly a big reason why there was a muted reaction from the market, was that this deal was priced in following President Trump's tweet from early April, where he said he was expecting cuts of this magnitude from the Saudis and Russians.

Furthermore, while these cuts are substantial, they still fall short of bringing the market to balance over 2Q20. The stock overhang this quarter should still see prices trading lower from current levels, although the floor for the market is likely somewhat higher than it was prior to the deal. [We have therefore revised higher our oil price forecasts](#).

Meanwhile the declines that we are set to see from non-OPEC+ countries are also not mandated cuts, instead these will be market driven and would have happened anyway. These declines will also be gradual, rather than immediate like the OPEC+ cuts.

Yesterday also saw the Saudis cut their official selling price (OSP) for most grades of their crude oil for a second consecutive month, and these reductions come despite the output cut deal. The OSP for Arab Light to Asia was cut by US\$4.20/bbl MoM, a discount of US\$7.30/bbl for May, reflecting the oversupply environment. Although, the OSP was raised for all grades to the US.

## Metals

In base metals, LME copper has rallied in early morning trading, with news that Freeport-McMoRan temporarily shut its Chino copper mine in New Mexico on Sunday in response to the spreading of Covid-19 at the site. The mine, which produced 88kt of copper in 2019, has not provided any update on when operations will resume.

Looking at the secondary supply market, and China approved a fifth batch of copper scrap imports for the year, totalling 222kt, much higher when compared to the previous batch of 3.5kt. This takes total allowances for the first five batches to 528kt. Looking ahead, with the nation's dependency on imported scrap supply, we could see tightness in the Chinese scrap market in the near future. The spread of Covid-19 has resulted in nationwide lockdowns and the suspension of operations for some major scrap suppliers, such as South-East Asia and Europe.

Meanwhile, the latest data from the Shanghai Futures Exchange (SHFE) remains supportive for base metals, as overall inventories saw another week of declines, indicating a pick-up in industrial activity in China. Copper inventories in China fell by 15kt over the week to total 318kt as of 10th April. YTD inflows for copper now total 177kt, close to last year's total of 136kt over the same period. Among other base metals, aluminium and zinc stocks declined by 11kt and 5kt respectively over the week.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	31.74	0.83	-51.91			Spot Gold (US\$/oz)	1,715.3	1.88	13.05		
NYMEX WTI (US\$/bbl)	22.41	-1.54	-63.30			Spot Silver (US\$/oz)	15.4	-0.12	-13.66		
ICE Gasoil (US\$/t)	299	-1.32	-51.38			LME Copper (US\$/t)	N/A	N/A	N/A		
NYMEX HO (Usc/g)	99	2.26	-50.96			LME Aluminium (US\$/t)	N/A	N/A	N/A		
Eurobob (US\$/t)	188	3.25	-67.45			LME Zinc (US\$/t)	N/A	N/A	N/A		
NYMEX RBOB (Usc/g)	70	3.84	-58.58			LME Nickel (US\$/t)	N/A	N/A	N/A		
NYMEX NG (US\$/mmbtu)	1.72	-0.52	-21.24			CBOT Corn (Usc/bu)	332	-0.08	-14.51		
TTF Natural Gas (EUR/MWh)	7.28	0.00	-39.60			CBOT Wheat (Usc/bu)	555	-0.27	-0.67		
API2 Coal (US\$/t)	47	-0.21	-13.57			CBOT Soybeans (Usc/bu)	854	-1.07	-9.41		
Newcastle Coal (US\$/t)	59	0.00	-13.98			ICE No.11 Sugar (Usc/lb)	10.17	-2.49	-24.22		
SGX TSI Coking Coal (US\$/t)	130	0.88	-8.13			ICE Arabica (Usc/lb)	120	0.97	-7.67		
SGX Iron Ore 62% (US\$/t)	82.64	1.09	-9.51			ICE London Cocoa (GBP/t)	N/A	N/A	N/A		

Source: Bloomberg, ING Research

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