

Snap | 20 May 2019

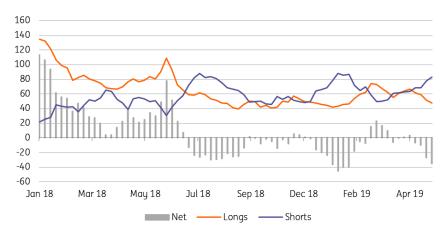
The Commodities Feed: Saudis signal an extension

Your daily roundup of commodity news and ING views



Source: Shutterstock

COMEX Copper managed money position (000 lots)



Source: CFTC, ING Research

Snap | 20 May 2019

Energy

OPEC+ JMMC meeting: A handful of OPEC+ members met in Jeddah over the weekend for the Joint Ministerial Monitoring Committee meeting. OPEC+ reported that compliance with the production cut deal over the month of April hit 168%, while average compliance since January came in at 120%. The key for members was to keep monitoring inventory levels in the coming weeks and months. The Saudis seem keen to extend the production cut deal into the second half of this year, in order to "gently" draw down inventories. The Saudi energy minister also said that the Kingdom would keep output at 9.8MMbbls/d over May and June.

The key to the deal however is Russia, and whilst they would be supportive of continuing their cooperation with OPEC over the second half of the year, it will depend on the state of the oil market.

We are of the view that OPEC+ does not need to extend the production cut deal in its current form. Our balance sheet shows significant tightening as we move into the third quarter.

Metals

US tariffs: President Trump announced that the US will remove section 232 tariffs on Canadian and Mexican aluminium, whilst there will also be no quotas or restriction on metal flows as long as the countries are not being used as a transit to ship metals from other origins. Canada is a major aluminium supplier to the US, supplying nearly half of total US aluminium imports in 2018; and the removal of the 10% import tariff may weigh on regional premiums which have been resilient so far despite the general softness in LME aluminium prices.

Speculative positioning: Money managers increased their net short position in COMEX copper by 8,451 lots last week, holding a net short of 35,257 lots as on 14 May. Speculators increased their gross short by 4,802 lots, while gross longs liquidated 3,649 lots over the week. Apprehension around copper demand as a result of escalating trade tensions appears to be keeping money managers entering the market from the long side. Meanwhile, net longs in COMEX gold surged by 46,201 lots over the last week as investors look to safe haven assets. The net long in gold stood at 65,922 lots as on 14 May.

Agriculture

Agri speculative positioning: Speculators remain clearly bearish agri markets, with money managers selling 8,282 lots in CBOT Soybeans over the last week to leave them with a record net short of 168,835 lots as of the 14 May. This shouldn't come as too much of a surprise given the breakdown in trade talks between the US and China. Other agri commodities are not faring much better, with corn, wheat, sugar and Arabica coffee all seeing speculators holding sizeable net short positions.

However, corn and soybeans are quite vulnerable to a short covering rallying, particularly given that heavy rains in the US Midwest significantly delayed plantings.

Snap | 20 May 2019 2

Daily price update

	Current	% DoD ch	%YTD o	:h	th.	th Current	ch Current % DoD ch
ICE Brent (US\$/bbl)	72.21	-0.56	34.22		Comex Silver (US\$/oz)	Comex Silver (US\$/oz) 14.3	Comex Silver (US\$/oz) 14.3 -0.90
NYMEX WTI (US\$/bbl)	62.76	-0.17	38.21		LME Copper (US\$/t)	LME Copper (US\$/t) 6,056	LME Copper (US\$/t) 6,056 -0.72
ICE Gasoil (US\$/t)	657	-1.24	28.63		LME Aluminium (US\$/t)	LME Aluminium (US\$/t) 1,837	LME Aluminium (US\$/t) 1,837 -1.24
NYMEX HO (Usc/g)	210	-1.30	24.67		LME Zinc (US\$/t)	LME Zinc (US\$/t) 2,600	LME Zinc (US\$/t) 2,600 -1.40
Eurobob (US\$/t)	716	0.44	49.25		LME Nickel (US\$/t)	LME Nickel (US\$/t) 12,013	LME Nickel (US\$/t) 12,013 -1.34
NYMEX RBOB (Usc/g)	205	-0.70	54.66				
NYMEX NG (US\$/mmbtu)	2.63	-0.30	-10.51		CBOT Corn (Usc/bu)	CBOT Corn (Usc/bu) 383	CBOT Corn (Usc/bu) 383 1.12
					CBOT Wheat (Usc/bu)	CBOT Wheat (Usc/bu) 465	CBOT Wheat (Usc/bu) 465 -0.43
API2 Coal (US\$/t)	61	-1.22	-29.36		CBOT Soybeans (Usc/bu)	CBOT Soybeans (Usc/bu) 822	CBOT Soybeans (Usc/bu) 822 -2.14
NYMEX Coking Coal (US\$/t)	209	0.00	-8.28		ICE No.11 Sugar (Usc/lb)	ICE No.11 Sugar (Usc/lb) 11.55	ICE No.11 Sugar (Usc/lb) 11.55 -1.95
					ICE Arabica (USc/lb)	ICE Arabica (USc/lb) 87	ICE Arabica (USc/lb) 87 -2.94
					ICE London Cocoa (GBP/t)	ICE London Cocoa (GBP/t) 1,729	ICE London Cocoa (GBP/t) 1,729 -0.80

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.

 $Additional\ information\ is\ available\ on\ request.\ For\ more\ information\ about\ ING\ Group,\ please\ visit\ \underline{www.ing.com}.$

Snap | 20 May 2019 3