

The Commodities Feed: Slower progress for US crops

Your daily roundup of commodity news and ING views



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Energy

US inventories: API is scheduled to release its weekly oil inventory numbers later today and expectations are that US oil stocks dropped 3.88MMbbls last week, according to a Bloomberg survey. High refinery utilisation and supply disruption in the Gulf of Mexico due to storm Barry were seen impacting oil inventory movements. If confirmed by EIA on Wednesday, this would be the 7th consecutive week of inventory drawdown; though total crude oil stocks still remain well above the 5-year average for this point in the season. On products, expectations are that the gasoline inventory fell 2MMbbls whilst distillate inventory increased around 1MMbbls over the last week.

Brent-WTI spread: The Brent-WTI spread has widened from US\$6/bbl at the start of the month to US\$7.1/bbl currently as the escalating tensions in the Middle East were seen supporting ICE Brent while NYMEX WTI was largely flat on sufficient domestic supplies. Further helping the Brent prices were the supply disruption from Libya where the Sharara oil field witnessed some outages last week and the output is still recovering.

Metals

Vale iron ore supply: Vale reported that its iron ore fines production dropped 12% QoQ (down 33.8% YoY) to 64.1mt in 2Q19 as adverse weather at the Northern Systems during April-May months impacted the operation in the region. Cumulatively, fines production is down 23.4% YoY to 136.9mt over the first half of 2019 with sales of 117.4mt, down 18.8% YoY. The company expects operating performance to improve in 2H19 on restart of Brucutu mine and left the full-year sales guidance for both iron ore fines and pellets largely unchanged at 307-322mt. That leaves the total sales (both iron ore fines and pellets) estimates at c.168-183mt for 2H19 compared to 139mt in 1H19.

Global aluminium supply: The latest data from International Aluminium Institute shows that global aluminium output increased by a marginal 0.3% MoM (down 1.6% YoY) to 174.9kt/day (total 5.25mt) in June 2019. Chinese aluminium output was flat on a monthly basis at 98.5kt/day though dropped 3.1% YoY. Cumulatively, global aluminium production has dropped 0.5% YoY to 31.6mt over the first six months of 2019. Aluminium production may recover in 2H19.

Agriculture

US crop progress: The latest crop progress report from the USDA continues to highlight slower progress for US crops due to warmer than usual weather. The Agency rated 57% of the current corn crop in good-to-excellent condition as on 21 July compared to 58% last week and 72% a year ago. Corn silking, a major phase in the crop development is only complete for 35% of the current corn crop compared to 78% completed at this stage last year and a 5-yr average of 66%. Turning to Soybean, and crop condition remains in concerning stage there as well. The Agency rated 54% of the current crop in good-to-excellent condition compared to 70% at this stage last year.

EU MARS report: In its monthly Monitoring Agriculture ResourceS (MARS) report, the European Commission has lowered the yield forecast for most of the products in the region due to the heatwave in June that affected the current crops. Wheat yield estimates were revised down from 5.88t/ha to 5.82t/ha while sugar beet yield estimates are lowered from 75.7t/ha to 73.9t/ha. The commission further highlighted that low soil moisture, warmer weather and lack of rains could aggravate the situation moving forward.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 63.26 | 1.26 | 17.58 | Spot Gold (US\$/oz) | 1,424.9 | -0.03 | 11.10 |
| NYMEX WTI (US\$/bbl) | 56.22 | 1.06 | 23.81 | Spot Silver (US\$/oz) | 16.4 | 1.01 | 5.60 |
| ICE Gasoil (US\$/t) | 585 | 1.52 | 14.49 | LME Copper (US\$/t) | 6,018 | -0.78 | 0.88 |
| NYMEX HO (Usc/g) | 190 | 0.52 | 13.01 | LME Aluminium (US\$/t) | 1,816 | -1.73 | -1.63 |
| Eurobob (US\$/t) | 632 | -0.19 | 31.73 | LME Zinc (US\$/t) | 2,417 | -0.33 | -2.03 |
| NYMEX RBOB (Usc/g) | 183 | -0.68 | 38.09 | LME Nickel (US\$/t) | 14,300 | -2.92 | 33.77 |
| NYMEX NG (US\$/mmbtu) | 2.31 | 2.71 | -21.36 | | | | |
| TTF Natural Gas (EUR/MWh) | 10.16 | -6.04 | -53.78 | CBOT Corn (Usc/bu) | 422 | -1.97 | 12.60 |
| | | | | CBOT Wheat (Usc/bu) | 487 | -3.03 | -3.18 |
| API2 Coal (US\$/t) | 73 | -0.82 | -13.37 | CBOT Soybeans (Usc/bu) | 888 | -1.47 | 0.65 |
| Newcastle Coal (US\$/t) | 76 | -0.59 | -25.54 | ICE No.11 Sugar (Usc/lb) | 11.56 | -0.26 | -3.91 |
| SGX TSI Coking Coal (US\$/t) | 172 | -0.92 | -18.74 | ICE Arabica (Usc/lb) | 105 | -0.71 | 3.19 |
| SGX Iron Ore 62% (US\$/t) | 113.98 | -2.31 | 64.07 | ICE London Cocoa (GBP/t) | 1,866 | 1.63 | 5.66 |

Source: Bloomberg, ING

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