

# The Commodities Feed: SPR purchase suspended

Your daily roundup of commodity news and ING views



Source: Shutterstock

## Energy

Oil came under renewed pressure yesterday, with ICE Brent settling more than 3.8% lower on the day, whilst NYMEX WTI closed down more than 7.7%. Developments over the last 24 hours have only reinforced the bearish outlook for the market. The first of these developments is that the US Department of Energy has suspended the 30MMbbls of crude oil it was going to add to its Strategic Petroleum Reserve, with the DoE failing to secure funding for the purchase. The US government was keen to fill up the SPR in a bid to help domestic producers, however, news of the suspension has weighed heavily on WTI.

Meanwhile, there still seems no end in sight to the Saudi-Russia price war, following yesterday's emergency G20 summit. The post-meeting statement failed to mention oil or energy, despite the US administration earlier in the week putting pressure on Saudi Arabia to take a step back in its price war with the Russians and to try to stabilise markets during these uncertain times. As we have mentioned in previous notes, it does seem as though there is anything the Saudis or the broader OPEC+ group can do to push the market significantly higher. The demand destruction we are seeing does mean the level of cuts that would be needed by the group would be just too much

to stomach.

Finally, US gasoline cracks jumped higher yesterday following reports from Bloomberg that Valero, the second-largest refiner in the US, will cut run rates by an average of 15% at 6 of the companies 12 refineries. And there are suggestions that further cuts could be made next week. However no reductions have been made at Valero's largest refinery - the 335Mbbbls/d Port Arthur refinery. These reported cuts follow other refineries also reducing run rates on the back of poorer products demand as a result of the Covid-19 outbreak.

## Metals

The base metals complex was a mixed bag yesterday, but the bulk of metals settled lower, with the passing of the US\$2 trillion stimulus package in the US providing little support to the complex. Instead, markets continued to focus on more negative developments, including record-high jobless claims in the US.

However, reports that a number of lead-zinc polymetallic mines announced suspensions has helped the 'sister' metals stand out in the broader slump. LME 3M lead prices managed to rally back to levels last seen in mid-March, and edge closer towards the US\$1,700/t mark; meanwhile, zinc touched an intraday high of US\$1,886/tonne. The latest action taken by some major miners includes Sumitomo Corp's operations in Bolivia-San Cristobal silver-zinc-lead mine (2019 est. zinc conc. 210kt; lead conc. 50kt) and its Ambatovy nickel mine in Madagascar (2019 est. Class 1 nickel 44kt ). Meanwhile, Canadian miner, Trevali announced yesterday the temporary closure of the Caribou zinc-lead-silver polymetallic mine near New Brunswick (2019 payable prod. 34kt zinc conc.+12kt lead conc.). In addition, Recylex is going to halt lead production at its Weser-Metall plant in Germany (the third largest lead smelter in Europe) from Thursday due to poor automotive demand and lower prices. Finally, Glencore will also halt operations at its Raglan nickel and Matagami zinc mines in Quebec for three weeks following orders by the local government.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	26.34	-3.83	-60.09			Spot Gold (US\$/oz)	1,631.3	0.89	7.52		
NYMEX WTI (US\$/bbl)	22.6	-7.72	-62.99			Spot Silver (US\$/oz)	14.4	-0.49	-19.31		
ICE Gasoil (US\$/t)	304	-0.74	-50.53			LME Copper (US\$/t)	4,804	-1.05	-22.19		
NYMEX HO (Usc/g)	105	-4.33	-48.22			LME Aluminium (US\$/t)	1,536	-0.10	-15.14		
Eurobob (US\$/t)	268	0.79	-53.56			LME Zinc (US\$/t)	1,860	1.31	-18.13		
NYMEX RBOB (Usc/g)	54	-0.55	-67.97			LME Nickel (US\$/t)	11,211	-0.69	-20.06		
NYMEX NG (US\$/mmbtu)	1.64	-1.33	-25.22			CBOT Corn (Usc/bu)	349	0.07	-10.06		
TTF Natural Gas (EUR/MWh)	7.58	-2.18	-37.14			CBOT Wheat (Usc/bu)	569	-1.90	1.83		
API2 Coal (US\$/t)	54	-0.73	-4.24			CBOT Soybeans (Usc/bu)	880	-0.14	-6.65		
Newcastle Coal (US\$/t)	70	2.04	1.59			ICE No.11 Sugar (Usc/lb)	11.33	-0.70	-15.57		
SGX TSI Coking Coal (US\$/t)	147	-0.66	4.00			ICE Arabica (Usc/lb)	125	-4.08	-3.89		
SGX Iron Ore 62% (US\$/t)	83.91	-0.97	-8.11			ICE London Cocoa (GBP/t)	1,809	-1.47	-0.55		

Source: Bloomberg, ING Research

## Author

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto: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 <http://www.ing.com>.