

The Commodities Feed: SPR purchase suspended

Your daily roundup of commodity news and ING views



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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								
TTF Natural Gas (EUR/MWh)	7.58	-2.18	-37.14			CBOT Corn (Usc/bu)	349	0.07	-10.06		
						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

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