

The Commodities Feed: Spread weakness

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

US crude oil inventories: The EIA reported yesterday that US crude oil inventories fell by 1.09MMbbls over the last week, which was less than the 3MMbbls drawdown that the market was expecting, and significantly smaller than the 4.97MMbbls that the API reported the previous day. Crude oil imports over the week increased by 929Mbbls/d to average 7.59MMbbls/d, whilst crude exports fell by 780Mbbls/d to 2.99MMbbls/d over the week- the first time since mid-May that weekly exports fell below the 3MMbbls/d mark.

On the product side, gasoline inventories declined by 1.58MMbbls/d over the week, whilst distillate fuel oil stocks increased by 1.41MMbbls/d. The gasoline drawdown was driven by the East Coast, with inventories there falling by 2.33MMbbls, and likely a reflection of the impact from the Philadelphia Energy Solutions refinery explosion.

ICE Brent spread weakness: Prompt ICE Brent time spreads remain under pressure- the September/October spread has fallen from US\$0.70/bbl in early June to just US\$0.29/bbl currently. The weakness in the spread does suggest that we are seeing an easing in the prompt physical market and in Europe this does make sense, given that we have seen Russian oil flows along the Druzhba pipeline return to normality.

Metals

Aluminium smelter restart: Alcoa announced that the Aluminerie de Bécancour Inc. (ABI) smelter plans to restart curtailed smelting capacity after members of the United Steelworkers union in Québec, Canada, approved a six-year labour agreement. The restart is said to commence from the end of July. Currently, the smelter is running at about 16% of its nameplate full capacity and it will return to full swing in 2Q 2020. The return of ABI should help to alleviate the tightness in the US market but not enough to fill the void in the global market balance.

Copper stocks & smelter delay: The LME saw 32,575 tonnes of copper delivered into warehouses yesterday, taking total LME stocks to a one year high of 272,500 tonnes. All of these inflows occurred in Asian warehouses, where stocks have inched up to more than a one-year high of 139,325 tonnes. Meanwhile, Codelco said that it's still working on bringing the Chuquibambilla smelter online completely after closing it for upgrades at the end of last year. The smelter is operating at less than half the capacity, and is likely to resume full operations by mid-August.

Agriculture

Coffee balance: The International Coffee Organization (ICO) has lowered its coffee market surplus estimate to 3.11m bags for 2018/19 season (ending in September 2019) against its earlier estimate of 3.41m bags, and a surplus of 3.84m bags in 2017/18. In the latest estimates, production forecasts are trimmed 0.2% to 167.7m bags (+1.5% YoY), while consumption forecasts were left largely unchanged at around 164.6m bags (+2.0% YoY). Meanwhile, the price spread between Arabica and Robusta coffee increased to a one-year high of US\$47.7/lb this week with concerns over colder weather in Brazil.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	63.82	2.28	18.62			Spot Gold (US\$/oz)	1,418.8	0.01	10.63		
NYMEX WTI (US\$/bbl)	57.34	1.94	26.27			Spot Silver (US\$/oz)	15.3	-0.08	-1.23		
ICE Gasoil (US\$/t)	574	-0.65	12.33			LME Copper (US\$/t)	5,918	0.53	-0.79		
NYMEX HO (USc/g)	190	0.66	12.96			LME Aluminium (US\$/t)	1,790	0.45	-3.03		
Eurobob (US\$/t)	632	1.86	31.86			LME Zinc (US\$/t)	2,449	-1.21	-0.73		
NYMEX RBOB (USc/g)	192	2.48	44.80			LME Nickel (US\$/t)	12,350	2.11	15.53		
NYMEX NG (US\$/mmbtu)	2.29	2.23	-22.11			CBOT Corn (USc/bu)	433	4.72	15.47		
TTF Natural Gas (EUR/MWh)	10.29	0.66	-53.17			CBOT Wheat (USc/bu)	518	2.88	2.93		
API2 Coal (US\$/t)	53	2.62	-38.71			CBOT Soybeans (USc/bu)	885	1.03	0.31		
Newcastle Coal (US\$/t)	73	3.24	-27.76			ICE No.11 Sugar (USc/lb)	12.54	1.54	4.24		
SGX TSI Coking Coal (US\$/t)	184	-0.54	-13.21			ICE Arabica (USc/lb)	112	3.70	10.21		
SGX Iron Ore 62% (US\$/t)	118.02	0.87	69.89			ICE London Cocoa (GBP/t)	1,766	-1.01	0.00		

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 www.ing.com.