The Commodities Feed: Spread weakness

Your daily roundup of commodity news and ING views

Oil prices have sold off aggressively

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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 Chuquicamata 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
ICE Brent (US$/bbl)	**63.82**	2.28	18.62
NYMEX WTI (US$/bbl)	**57.34**	1.94	26.27
ICE Gasoil (US$/t)	**574**	-0.65	12.33
NYMEX HO (Usc/g)	**190**	0.66	12.96
Eurobob (US$/t)	**632**	1.86	31.86
NYMEX RBOB (Usc/g)	**192**	2.48	44.80
NYMEX NG (US$/mmbtu)	**2.29**	2.23	-22.11
TTF Natural Gas (EUR/MWh)	**10.29**	0.66	-53.17
API2 Coal (US$/t)	**53**	2.62	-38.71
Newcastle Coal (US$/t)	**73**	3.24	-27.76
SGX TSI Coking Coal (US$/t)	**184**	-0.54	-13.21
SGX Iron Ore 62% (US$/t)	**118.02**	0.87	69.89

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,418.8**	0.01	10.63
Spot Silver (US$/oz)	**15.3**	-0.08	-1.23
LME Copper (US$/t)	**5,918**	0.53	-0.79
LME Aluminium (US$/t)	**1,790**	0.45	-3.03
LME Zinc (US$/t)	**2,449**	-1.21	-0.73
LME Nickel (US$/t)	**12,350**	2.11	15.53
CBOT Corn (Usc/bu)	**433**	4.72	15.47
CBOT Wheat (Usc/bu)	**518**	2.88	2.93
CBOT Soybeans (Usc/bu)	**885**	1.03	0.31
ICE No.11 Sugar (Usc/lb)	**12.54**	1.54	4.24
ICE Arabica (USc/lb)	**112**	3.70	10.21
ICE London Cocoa (GBP/t)	**1,766**	-1.01	0.00

Source: Bloomberg, ING Research

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