The Commodities Feed: Storm disruptions grow

Your daily roundup of commodity news and ING views

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Energy

OPEC numbers: OPEC released its monthly report yesterday, where secondary sources put OPEC production over the month of June at 29.83MMbbls/d- 68Mbbls/d lower month-on-month. Iran saw the largest decline, with output falling by 142Mbbls/d over the month. Meanwhile, Saudi Arabia increased production by 126Mbbls/d, taking production over the month to 9.81MMbbls/d.

Looking at OPEC's outlook for the global market suggests that the group will need to lower output from current levels over 2020. OPEC is forecasting global oil demand to average 101.01MMbbls/d next year, and expects non-OPEC supply to average 66.87MMbbls/d. Once taking into account OPEC NGL production, the group is currently producing 560Mbbls/d more than needed over 2020. Assuming OPEC's demand and non-OPEC supply forecasts are correct, the group may need to continue with the deal for longer than anticipated over 2020.

This morning, the IEA will be releasing its monthly report, and the market will be watching closely to see if the agency makes any further revisions lower to their demand growth forecasts.

US Gulf storm: Tropical Storm Barry continues to move towards the Louisiana coastline, and further offshore production in the Gulf of Mexico has been shut in. The Bureau of Safety and Environmental Enforcement (BSEE) reported yesterday that 1.01MMbbl/s of production has been shut in, which is equivalent to a little over 53% of Gulf of Mexico production. Looking ahead concerns will grow around the significant amount of refining capacity at risk. Louisiana has a refining capacity of 3.7MMbbls/d, which is 20% of total US refining capacity. Disruption to refining operations as a result of the storm would likely prove supportive for product cracks, and given the growing importance of the US as a refined product exporter, this strength would likely be felt in other regional markets as well.

Metals

Nickel strength: LME Nickel continued to rally yesterday, reaching a three-month high. This strength comes despite short-term market fundamentals not looking very supportive. While LME inventories edge lower, the Chinese market at the moment still looks weak- ShFE inventories have been rising, while stainless steel inventory remains stubbornly high. Furthermore, the supply of NPI is expected to continue growing for the remainder of the year.

Alumina weakness: Seaborne alumina prices have fallen by around 9-10% this month, with spot prices at around US$311/t – this takes year-to-date declines to around 25%. The alumina-to-aluminium price ratio has dropped from around 22.5% at the start of the year to 17% currently on the back of improving raw material supply. Lower raw material costs should improve smelter margins for the remainder of the year.

Agriculture

WASDE report: In its latest WASDE report, the USDA lowered its US soybean yield estimate from 49.5bu/acre to 48.5bu/acre, which pushed its production forecasts down from 4,069m bushels to 3,845m bushels; largely in line with market expectations. On the other hand, the US corn yield estimate was left unchanged at 166bu/acre, and in fact production was revised higher on the back of larger area. Soybean ending stocks for the US were revised down from 1,045m bushels to 795m bushels while corn ending stocks were revised up from 1,675m bushels to 2,010m bushels.

Looking at the global balance, the USDA lowered its Russian wheat production forecast by 4.9% to 74.2mt (compared to its June estimate of 78mt) due to high temperatures. As a result, export expectations for Russia have fallen from 37mt to 34.5mt. This revision lower did see CBOT Wheat rally more than 4.5% yesterday. However given the scale of global wheat stocks, we struggle to hold a bullish view on the wheat market.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**66.52**	-0.73	23.64
NYMEX WTI (US$/bbl)	**60.2**	-0.38	32.57
ICE Gasoil (US$/t)	**595**	0.00	16.40
NYMEX HO (Usc/g)	**198**	-0.62	17.72
Eurobob (US$/t)	**653**	-0.56	36.18
NYMEX RBOB (Usc/g)	**199**	-0.78	50.30
NYMEX NG (US$/mmbtu)	**2.42**	-1.15	-17.82
TTF Natural Gas (EUR/MWh)	**13.13**	8.21	-40.27
API2 Coal (US$/t)	**66**	0.23	-22.61
Newcastle Coal (US$/t)	**77**	-1.92	-24.26
SGX TSI Coking Coal (US$/t)	**182**	-0.22	-14.05
SGX Iron Ore 62% (US$/t)	**113.25**	-1.20	63.02

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,403.8**	-1.07	9.46
Spot Silver (US$/oz)	**15.1**	-0.78	-2.41
LME Copper (US$/t)	**5,955**	0.25	-0.17
LME Aluminium (US$/t)	**1,828**	-1.19	-0.98
LME Zinc (US$/t)	**2,428**	1.12	-1.58
LME Nickel (US$/t)	**13,130**	1.08	22.83
CBOT Corn (Usc/bu)	**448**	3.11	19.40
CBOT Wheat (Usc/bu)	**536**	4.79	6.56
CBOT Soybeans (Usc/bu)	**896**	0.36	1.56
ICE No.11 Sugar (Usc/lb)	**12.38**	-0.96	2.91
ICE Arabica (USc/lb)	**106**	1.10	3.58
ICE London Cocoa (GBP/t)	**1,766**	-2.00	0.00

Source: Bloomberg, ING Research

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