

The Commodities Feed: The strengthening dollar weighs on metals

Your daily roundup of commodity news and ING views



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Energy

The weakness in the crude oil market continued this morning.

There are reports that Iraq may seek a two-month extension to implement the extra production cuts it is carrying as part of the OPEC+ deal, suggesting output cuts may not come as quick as they had promised.

Turning to China, small independent refineries are reported to have already used the bulk of their crude oil import quota for the year (around 70% until July 2020) and may have to reduce operating rates for the rest of the year if a fresh quota is not allocated. Data from SC199 shows that capacity utilisation at these refineries stayed elevated at around 75% since May 2020 on better margins and have helped higher crude oil imports in the country.

Meanwhile, the EIA report yesterday was fairly constructive with the crude oil inventory in the US falling by 9.4MMbbls over the last week, much higher than what the API reported at 6.4MMbbls of drawdown or the market expectations of around 2.1MMbbls according to a Bloomberg survey. This was the sixth consecutive week of inventory withdrawal in the US with 38.2MMbbls of crude oil being taken out over this period. Crude oil imports were down by around 1MMbbls/d over the week due to port closures in the Gulf of Mexico which lowered the available crude oil supply in the

country and helped inventory withdrawal.

Products and refinery utilisation in the US dropped by 5.3% last week due to hurricane Laura. Gasoline and middle distillate inventories dropped by 4.3MMbbls and 1.7MMbbls respectively, largely in-line with API numbers.

Metals

Precious metals headed lower on Wednesday with spot gold prices falling over 1%, marking the intra-day lows of US\$1,940/oz hit by a rebound in the USD index and a strong manufacturing data from the US. On the other hand, total known ETF holdings for gold continued to expand for the fifth consecutive day and reported inflows of 172koz, taking total holdings to a fresh record of 109moz as of 1 September. The dollar index strengthening also saw base metals give up the early gains and moved to a negative territory later in the afternoon, with aluminium and lead prices falling the most.

For Aluminium, Japanese premium for 4Q20 was settled at US\$88/t by at least one buyer - a rise of 11% when compared to US\$79/t for the current quarter. The rebound in the premium was very much anticipated with the recovering demand for the metal in the major consuming sectors. Meanwhile, the resilient contango market is suggesting decent annualised returns of stock financing trade over the last couple of months. A ramification could be that premiums may have to match the financing trade could offer. As for copper, following Tuesday's reports from Peru about productions back on track, Chile stated-owned Codelco has grown productions to 133.3kt copper July compared to 131.9kt in June according to Cochilco yesterday.

Turning to the treatment charges (TCs), the latest data from Fastmarkets shows that, Chinese TCs for imported zinc concentrate continued to remain strong at US\$170-190/t as of 28 August - up from the range of US\$165-185/t at the end of July. The Chinese smelters were not ready to accept the offers for lower TCs despite a recent production suspension at the San Cristobal zinc-lead mine based in Bolivia. On the contrary, treatment charges for lead fell sharply in August in response to the current supply tightness.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	44.43	-2.52	-32.68	Spot Gold (US\$/oz)	1,942.9	-1.38	28.05
NYMEX WTI (US\$/bbl)	41.51	-2.92	-32.02	Spot Silver (US\$/oz)	27.4	-2.36	53.75
ICE Gasoil (US\$/t)	355	-2.87	-42.14	LME Copper (US\$/t)	6,697	0.14	8.47
NYMEX HO (Usc/g)	119	-3.44	-41.40	LME Aluminium (US\$/t)	1,786	-1.68	-1.33
Eurobob (US\$/t)	400	-1.17	-30.75	LME Zinc (US\$/t)	2,534	-0.76	11.51
NYMEX RBOB (Usc/g)	120	-1.85	-29.20	LME Nickel (US\$/t)	15,706	1.11	11.99
NYMEX NG (US\$/mmbtu)	2.49	-1.62	13.57				
TTF Natural Gas (EUR/MWh)	11.11	-1.66	-7.81	CBOT Corn (Usc/bu)	350	0.07	-9.80
				CBOT Wheat (Usc/bu)	548	-1.44	-1.97
API2 Coal (US\$/t)	53	-2.33	-9.87	CBOT Soybeans (Usc/bu)	963	0.79	2.07
Newcastle Coal (US\$/t)	52	-1.71	-25.13	ICE No.11 Sugar (Usc/lb)	12.44	-1.27	-7.30
SGX TSI Coking Coal (US\$/t)	122	2.16	-14.08	ICE Arabica (Usc/lb)	132	-0.30	1.39
SGX Iron Ore 62% (US\$/t)	121.98	2.00	33.57	ICE London Cocoa (GBP/t)	1,787	1.82	-1.76

Source: Bloomberg, ING Research

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