The Commodities Feed: Struggling to breakout

Your daily roundup of commodity news and ING views

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Energy

It seems as though it will take a lot to push oil out of the range it has been trading in for several weeks now, with ICE Brent appearing firmly anchored around the US$43/bbl level. It is set to be a fairly quiet week for the market, with little in the way of data releases or events. This suggests that oil is likely to continue trading in a rangebound manner for the remainder of the week. Developments outside of the oil market will be key to watch, in particular the rising number of Covid-19 cases. The resurgence in Covid-19 cases in the US appears to have brought to an end the recovery that we were seeing in US gasoline demand, and clearly, if we start seeing cities and states imposing stricter restrictions once again, this would mean likely downside to consumption numbers. The mayor of Los Angeles has already said that the city is on the "brink" of issuing another stay-at-home order, given the rise in cases.

Later today, the API will release its weekly inventory numbers for the US, and expectations are that over the last week, crude oil inventories fell by 750Mbbls. On the product side, gasoline stocks are expected to have declined by around 1.5MMbbls, while distillate fuel oil stocks are thought to have increased by around 750Mbbls.

Finally, Bloomberg is reporting that Sinopec will cut run rates at some of its coastal refineries, due to flooding along parts of the Yangtze River hitting fuel demand. Up until now though, there has been no confirmation from the company of such a plan.

Metals

Precious metals traded higher on Monday, silver prices led the way, with the most active contract on COMEX trading above US$20/oz, as the continued move towards safe-havens and concern about mine supply helped prices jump to multi-year highs. Along with that, soaring gold prices have also remained a major supportive factor for the recent rally in silver. Meanwhile, ETF holdings continue their uptrend, with total gold ETFs rising for 17 straight days, having increased by 2.68moz over this period to stand at 105.26moz.

Turning to base metals, and the latest data from China shows that refined copper output rose 7% YoY to 860kt in June, whilst cumulative output for the first six months of the year rose 11.6% YoY to total 3.3mt. Meanwhile, refined lead output jumped over 16% YoY to 552kt in the month, whilst refined zinc production rose 1.4% YoY to 520kt last month.

Finally, the International Aluminium Institute (IAI) released production numbers yesterday, which showed that daily global primary aluminium output remained almost flat and averaged 175.8kt per day in June, compared to 175.7kt a month earlier. However, total monthly output fell 3% MoM to 5.3mt in June. China monthly aluminium output also declined 3.2% MoM to 3mt, although cumulative production for the first 6 months of the year remains 1.7% higher YoY, to total 18mt. Production elsewhere in Asia (ex-China) declined by 6.4% YoY and 1.5% MoM.

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