

The Commodities Feed: Supply risks linger

Your daily roundup of commodities news and ING views



Source: Shutterstock

Energy

The oil market saw a bit of a recovery yesterday, after the heavy sell-off earlier in the week. ICE Brent rallied by more than 3.9%, whilst WTI has settled back above the US\$100/bbl level. Plans for a large Chinese stimulus package over 2H22 have proved positive not just for oil, but for the broader commodities complex. On the supply side, there remain risks around Kazakhstani oil flows, after a Russian court earlier this week ordered the halting of loadings from the CPC terminal on Russia's Black Sea Coast. The court ordered a 30-day stoppage in loadings apparently due to violations on rules around oil spills. However, up until now Kazakhstan has said oil flows remain unaffected. The CPC terminal exports in the region of 1.3MMbbls/d of crude, and so this is a concern for the oil market, particularly at a time when there are already plenty of supply worries for the global oil market.

The EIA's weekly US inventory report was fairly mixed yesterday. US commercial crude oil inventories increased by 8.23MMbbls, which is the largest weekly increase since early May. However, when factoring in releases from the SPR, total US crude oil inventories increased by just 2.39MMbbls. The build was driven by an increase in crude oil imports, which were up 841Mbbbls/d WoW, whilst crude oil exports declined by 768Mbbbls/d. In addition, domestic refiners decreased their utilization rates over the week by half a percentage point, which would have helped add to

the crude build. However, changes to refined product inventories were more supportive. US gasoline inventories declined by 2.5MMbbls, whilst distillate stocks fell by 1.27MMbbls over the week.

Metals

Metal prices witnessed a sharp recovery yesterday. LME copper rallied by more than 4% after reports that China is planning a large stimulus package for the economy. Reports suggest that China's Ministry of Finance is planning to allow local governments to borrow an additional US\$220bn through special bonds over the second half of the year to boost infrastructure spending ([see also our Asia Morning Bites](#)). A demand slowdown in China has been a major concern for metal markets this year as Covid-related lockdowns weighed on demand. A further boost to infrastructure spending should be supportive of base metal demand prospects over the latter part of the year.

Nickel was unable to enjoy the broader strength seen across metal markets yesterday. Instead, nickel settled lower. Increasing supply from Indonesia continues to weigh on sentiment and prices. SMM reported that new production capacity of around 15mt of nickel content (8-10mt of nickel matte and c.5mt of hydrometallurgical intermediate) has come into operation in the recent past which should increase Indonesian exports of nickel to China.

Agriculture

Brazil's CONAB reported generally favourable weather for crops over the last few weeks. The agency increased its corn production estimate from 115.2mt to 115.7mt (up 32.8% YoY) on better yields for 2021/22, while also reporting that 28% of the 2nd crop was harvested to date. However, CONAB slightly trimmed its soybean production estimate from 124.3mt to 124mt (down 10.2% YoY) for 2021/22 on smaller acreage and yields - the market was expecting a number closer to 124.9mt.

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 <http://www.ing.com>.