

Snap | 2 May 2019

COMMODITIES DAILY

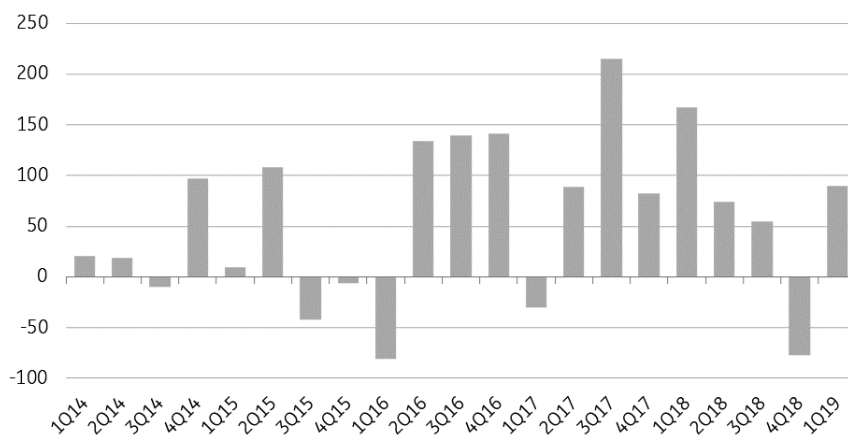
# The Commodities Feed: Surplus gold market

Your daily roundup of commodity news and ING views



Source: Shutterstock

## Global gold market balance (tonnes)



Source: World Gold Council, ING Research

## Energy

**US oil inventories:** The EIA yesterday reported that US crude oil inventories increased by

9.93MMbbls over the last week, higher than the 6.81MMbbls that the API reported the previous day, and significantly higher than the 1.75MMbbls build the market was expecting. Crude oil imports saw an increase of 265Mbbbls/d over the week to average 7.41MMbbls/d, but the key factor behind the large crude builds we have seen recently is the slow return of refineries from maintenance season. Run rates last week fell by 0.9 percentage points to 89.2%, which is towards the five-year low for this stage of the year. As refineries increase their run rates moving forward, this should see a change in the trend of large crude builds, and product draws.

On the products side, gasoline inventories saw a small increase of 917Mbbbls over the last week, which is the first increase in US gasoline inventories since early February. The small build, has not stopped the bullish sentiment in the gasoline market, with the prompt RBOB crack trading above US\$23/bbl.

**OPEC oil production:** Latest estimates from Bloomberg put OPEC production for the month of April at 30.3MMbbls/d, up 25Mbbbls/d. There were no significant changes over the month, with the biggest decline coming from Iran, where production is estimated to have fallen by 80Mbbbls/d to 2.63MMbbls/d. Given that waivers on Iranian oil expire today, there will be further downside to Iranian production moving forward. Elsewhere, Libya saw production increase by 90Mbbbls/d to 1.19MMbbls/d, which is not too far off from the record 1.2MMbbls/d seen in October. Finally Saudi production was fairly stable over the month, declining by just 30Mbbbls/d to average 9.79MMbbls/d. The key for the market though is how Saudi production evolves over May, with no waiver extensions on Iranian oil.

## Metals

**Central Bank gold purchases:** In its latest quarterly report, the World Gold Council estimates that global central banks purchased 145.5t of gold in 1Q19; up 68% year-on-year, but less than the 165.6t purchased in 4Q18, and considerably lower than the peak of 253t in 3Q18. Meanwhile, demand from other sectors including jewellery and ETF investment slowed after a seasonally charged 4Q18, with global gold demand falling 17% quarter-on-quarter to 1,060t in 1Q19. On the other hand, gold supply softened only 4% QoQ to 1,150t leaving the market with a net surplus of 90t in 1Q19.

**Copper smelter restart in Chile:** Codelco is planning to restart some operations at its Chuquibambata smelter this Friday after a four-month halt due to ongoing upgrades. The smelter restart is welcome news for copper supplies; although a partial restart may not add much output in the immediate term.

However copper prices came under significant pressure yesterday, with LME copper settling 2.8% lower on the day. Poor macro data hit the base metals complex, with the ISM manufacturing index showing that US factory activity fell to 52.8 for April, down from 55.3 the previous month, and below market expectations.

## Agriculture

**Sugar No.11 May expiry:** Exchange data shows that just 1,324 lots (a little over 67kt) of raw sugar was delivered against the No.11 May expiry on Monday. The collapse in the May/July spread in the lead up to expiry (settling at a 0.35c/lb discount), was a sign of little demand to receive sugar from the tape, and this is no surprise with the delivery made up largely of undesirable Mexican and Argentinian sugars. COFCO was reportedly the sole receiver of these sugars.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	72.18	-0.85	34.16	Comex Silver (US\$/oz)	14.6	-1.71	-5.76
NYMEX WTI (US\$/bbl)	63.6	-0.49	40.06	LME Copper (US\$/t)	6,235	-2.81	4.53
ICE Gasoil (US\$/t)	639	0.16	25.11	LME Aluminium (US\$/t)	1,815	1.00	-1.68
NYMEX HO (Usc/g)	209	0.62	24.60	LME Zinc (US\$/t)	2,771	-1.93	12.32
Eurobob (US\$/t)	706	3.21	47.22	LME Nickel (US\$/t)	12,159	-0.34	13.74
NYMEX RBOB (Usc/g)	206	-2.78	55.94	CBOT Corn (Usc/bu)	360	1.91	-4.00
NYMEX NG (US\$/mmbtu)	2.62	1.75	-10.88	CBOT Wheat (Usc/bu)	425	1.55	-15.55
API2 Coal (US\$/t)	58	-1.19	-32.31	CBOT Soybeans (Usc/bu)	840	-0.21	-4.87
NYMEX Coking Coal (US\$/t)	203	-0.69	-10.92	ICE No.11 Sugar (Usc/lb)	12.21	1.83	1.50
				ICE Arabica (Usc/lb)	90	-2.23	-11.83
				ICE London Cocoa (GBP/t)	1,918	-0.93	8.61

Source: Bloomberg, ING Research

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@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

## **THINK economic and financial analysis**

(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 [www.ing.com](http://www.ing.com).