

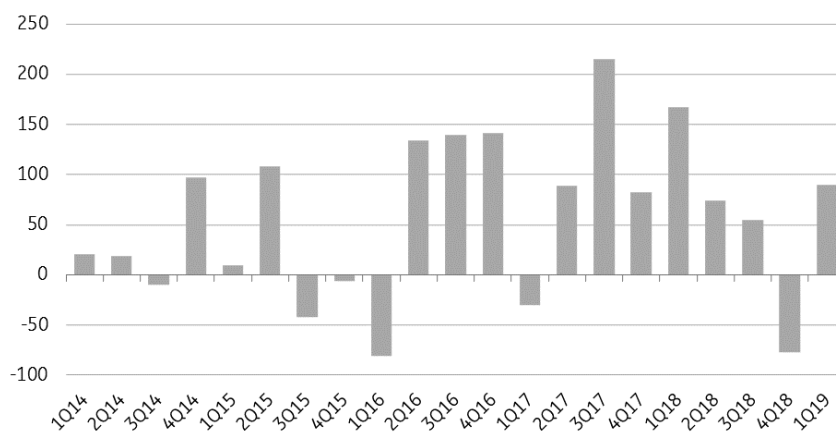
The Commodities Feed: Surplus gold market

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 265Mbbls/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 917Mbbls 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 25Mbbls/d. There were no significant changes over the month, with the biggest decline coming from Iran, where production is estimated to have fallen by 80Mbbls/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 90Mbbls/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 30Mbbls/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 Chuquibambilla 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 | | | | |
| NYMEX NG (US\$/mmbtu) | 2.62 | 1.75 | -10.88 | CBOT Corn (Usc/bu) | 360 | 1.91 | -4.00 |
| | | | | 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

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