

The Commodities Feed: Tariff delay

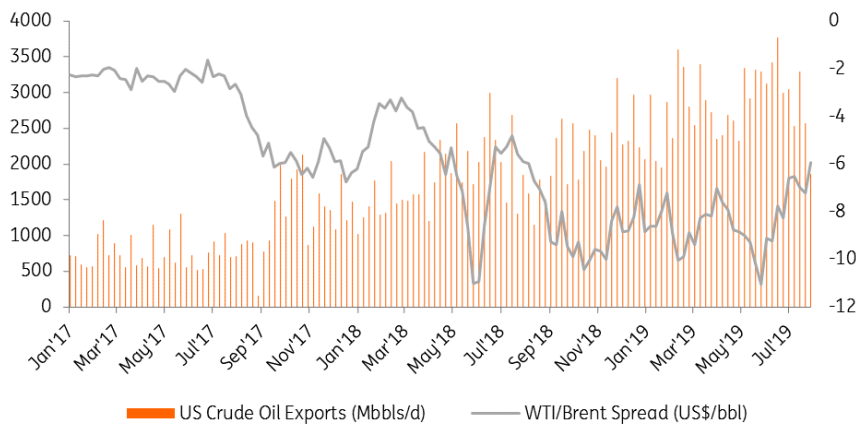
Your daily roundup of commodity news and ING views



Oil prices have sold off aggressively

Source: Shutterstock

US crude oil exports vs. WTI/Brent spread



Source: EIA, Bloomberg, ING Research

Energy

Tariff relief rally: The oil market saw quite the move higher yesterday, with ICE Brent settling more

than 4.6% up on the day. This follows a surprise announcement that the US would delay imposing tariffs on some Chinese goods from 1 September to 15 December instead. The reaction from the market on the back of this news is another clear indication that market participants are more concerned about macro and trade developments, and the impact this could have on demand, rather than supply developments.

US inventories: Latest inventory numbers from the API proved an obstacle to yesterday's rally continuing into this morning. The API reported that US crude oil inventories increased by 3.7MMbbls over the last week- very different from the 2.5MMbbls drawdown that the market was expecting. All eyes will be on EIA numbers today, and a surprise build from them could mean further downward pressure in the immediate term. Last week's EIA numbers saw a surprise build, which was driven by a fall in crude oil exports. The relative strength in WTI vs. Brent, means we could see another week of poor exports.

Metals

China data: Latest data from China's National Bureau of Statistics shows that softer prices and trade-related concerns have been having an impact on metals output in the country. Chinese crude steel production fell 6% MoM to 2.75mt/d in July, as poor margins pushed steel mills to optimize operating rates. Aluminium output softened from 99.1kt/d in June to 96.1kt/d in July. On the other hand, NPI output rose to a fresh record of 52.3kt in July, up 38% YoY (7.1% MoM) on healthy nickel prices and higher raw material imports.

Meanwhile, the demand-side continues to be a concern, with industrial output softening to 4.8% in July - the weakest growth in over a decade, and retail sales softened to 7.6%, only marginally higher than the low of 7.2% in April.

Tariff delay: The announcement provided some relief to markets as the US administration aims to cap consumer goods prices ahead of the holiday season. The news saw risk appetite returning to markets, while we saw a sell-off in safe haven assets, such as gold.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 61.3 | 4.66 | 13.94 | Spot Gold (US\$/oz) | 1,501.5 | -0.64 | 17.08 |
| NYMEX WTI (US\$/bbl) | 57.1 | 3.95 | 25.74 | Spot Silver (US\$/oz) | 17.0 | -0.58 | 9.50 |
| ICE Gasoil (US\$/t) | 576 | 3.69 | 12.78 | LME Copper (US\$/t) | 5,829 | 1.51 | -2.29 |
| NYMEX HO (Usc/g) | 188 | 3.96 | 11.69 | LME Aluminium (US\$/t) | 1,785 | 0.85 | -3.30 |
| Eurobob (US\$/t) | 605 | 2.13 | 26.07 | LME Zinc (US\$/t) | 2,319 | 1.80 | -6.00 |
| NYMEX RBOB (Usc/g) | 174 | 4.28 | 31.18 | LME Nickel (US\$/t) | 15,925 | 1.37 | 48.97 |
| NYMEX NG (US\$/mmbtu) | 2.15 | 2.00 | -26.97 | | | | |
| TTF Natural Gas (EUR/MWh) | 11.86 | 3.84 | -46.05 | CBOT Corn (Usc/bu) | 366 | -5.00 | -2.40 |
| | | | | CBOT Wheat (Usc/bu) | 472 | 0.05 | -6.21 |
| API2 Coal (US\$/t) | 59 | 1.63 | -30.11 | CBOT Soybeans (Usc/bu) | 872 | 1.22 | -1.19 |
| Newcastle Coal (US\$/t) | 70 | 0.43 | -31.07 | ICE No.11 Sugar (Usc/lb) | 11.72 | 1.38 | -2.58 |
| SGX TSI Coking Coal (US\$/t) | 155 | -1.66 | -26.84 | ICE Arabica (Usc/lb) | 96 | 2.77 | -5.40 |
| SGX Iron Ore 62% (US\$/t) | 86.80 | -1.51 | 24.95 | ICE London Cocoa (GBP/t) | 1,684 | -2.04 | -4.64 |

Source: Bloomberg, ING Research

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>.