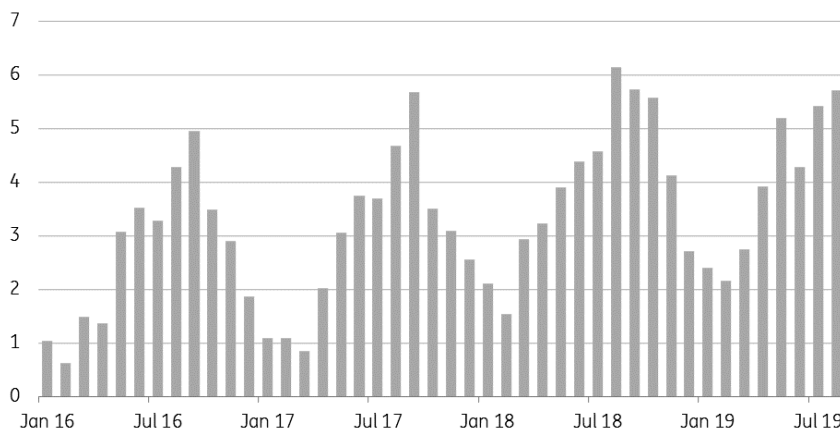


The Commodities Feed: The Saudi comeback

Your daily roundup of commodity news and ING views



China nickel ore imports (m tonnes)



Source: Bloomberg, ING Research

Energy

The Saudi comeback: The oil market came under renewed pressure yesterday, with ICE Brent settling 1.1% lower on the day. Reports that Saudi Aramco is ahead of schedule by about a week in bringing capacity back online following the 14 September attacks, were a key driver behind this weakness. Total production capacity reportedly now stands at 11.3MMbbls/d.

While Aramco is ahead of schedule with repairs, it still seems that the market is being complacent, with less than a US\$3/bbl risk premium priced into the market, despite the heightened geopolitical risk in the region. This risk, coupled with a tightening physical market, should mean higher prices in the near term- we are currently forecasting US\$65-68/bbl over the second half of this year.

US crude oil inventories: US inventory numbers were also fairly bearish for the market yesterday, with the EIA reporting that US crude oil inventories increased by 2.41MMbbls over the last week, which was fairly different from the 600Mbbbls drawdown the market was expecting, but was more in line with the 1.38MMbbls build that the API reported the previous day. The build in crude came despite the fact that crude oil imports over the week fell by 672Mbbbls/d to average 6.38MMbbls/d. The build was driven by a number of factors. Firstly, we saw a further decline in refinery run rates over the week following Tropical Storm Imelda, which saw crude oil inputs fall by 194Mbbbls/d. Secondly, crude oil exports fell by 192Mbbbls/d over the week to average 2.98MMbbls/d. Finally, we also saw an adjustment of 379Mbbbls/d for unaccounted oil.

Metals

China metals trade: Nickel ore imports into China increased 5% month-on-month (down 7% year-on-year) to a year-to-date high of 5.7mt in August, as Chinese buyers brought forward nickel purchases ahead of the Indonesian export ban, which is set to be implemented from January 2020 onwards. YTD Chinese imports of nickel ore are up 10% YoY to total 31.8mt. Among other base metals, China's import of refined copper were down 1% MoM at 295kt, while YTD imports were down 10% YoY to total 2.2mt. Copper concentrate imports also softened from their peak, and were down 12% MoM to come in at 1.8mt, while YTD imports are still up 11% YoY to total 14.4mt. On the export side, aluminium semis shipments dipped 5% MoM (down 9% YoY) to total 429kt in August. This is partly due to disruptions in domestic production, which have led to a divergence between SHFE and LME prices.

Zinc forward curve: The LME zinc forward curve has been tightening once again with the LME zinc cash/3M spread increasing to a three-month high of US\$19/t (backwardation) yesterday. Continued inventory drawdowns at LME warehouses, with on-warrant stocks falling to a record low of 35.5kt last week, have led to upside pressure in nearby spreads. LME zinc prices have not reacted much to the supply squeeze up until now, as the market remains focused on demand concerns and returning mining capacity.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	62.39	-1.13	15.97	Spot Gold (US\$/oz)	1,504.1	-1.82	17.28
NYMEX WTI (US\$/bbl)	56.49	-1.40	24.40	Spot Silver (US\$/oz)	17.9	-3.75	15.59
ICE Gasoil (US\$/t)	597	-1.57	16.79	LME Copper (US\$/t)	5,787	0.12	-2.98
NYMEX HO (Usc/g)	195	-0.70	16.25	LME Aluminium (US\$/t)	1,752	-0.60	-5.09
Eurobob (US\$/t)	588	-0.34	22.55	LME Zinc (US\$/t)	2,290	0.35	-7.17
NYMEX RBOB (Usc/g)	163	-1.76	22.78	LME Nickel (US\$/t)	17,325	0.84	62.07
NYMEX NG (US\$/mmbtu)	2.50	-0.04	-14.90				
TTF Natural Gas (EUR/MWh)	11.95	-3.16	-45.64	CBOT Corn (Usc/bu)	374	-0.13	-0.20
				CBOT Wheat (Usc/bu)	477	-0.93	-5.17
API2 Coal (US\$/t)	58	-2.92	-32.50	CBOT Soybeans (Usc/bu)	889	-0.56	0.76
Newcastle Coal (US\$/t)	66	-1.34	-34.47	ICE No.11 Sugar (Usc/lb)	11.80	2.61	-1.91
SGX TSI Coking Coal (US\$/t)	136	1.85	-36.04	ICE Arabica (Usc/lb)	101	1.82	-0.88
SGX Iron Ore 62% (US\$/t)	86.93	-0.08	25.13	ICE London Cocoa (GBP/t)	1,918	2.62	8.61

Source: Bloomberg, ING Research

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