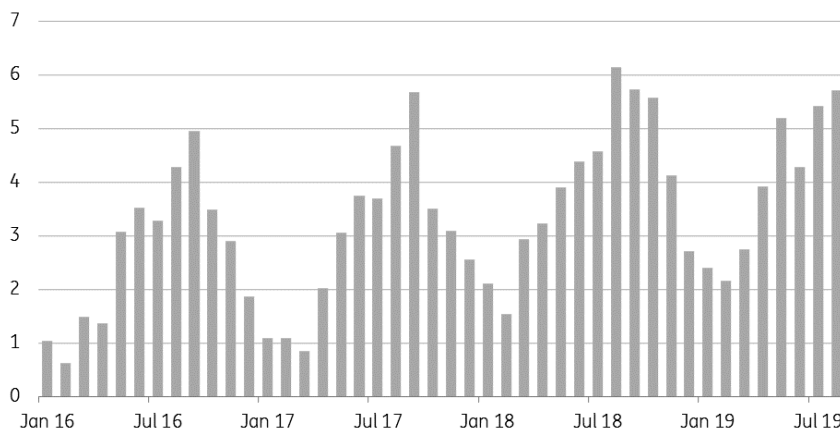


# The Commodities Feed: The Saudi comeback

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

## Author

### Warren Patterson

Head of Commodities Strategy

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