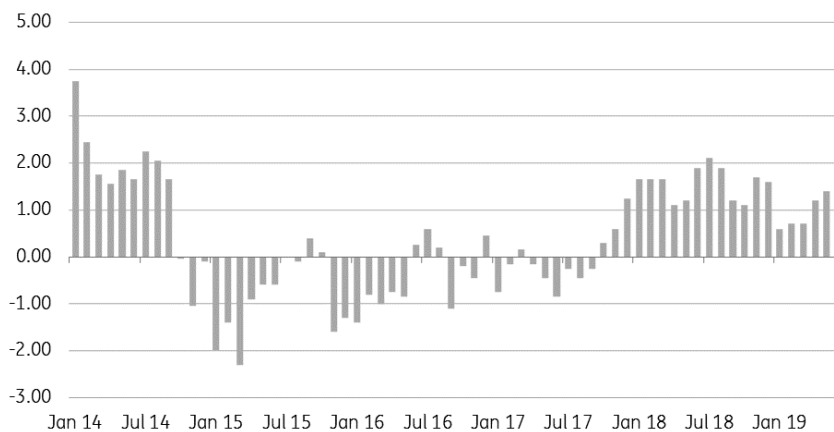


The Commodities Feed: Trade fears hit commodities

Your daily roundup of commodity news and ING views



Saudi Arab Light official selling price to Asia vs. Oman/Dubai (US\$/bbl)



Source: Bloomberg, ING Research

Energy

Saudi official selling price: The Saudis raised official selling prices for all grades of crude, and to all

regions for the month of June, with the exception of the US. Aramco increased the OSP for Arab Light into Asia by US\$0.70/bbl to US\$2.10/bbl. Meanwhile both heavy medium and heavy grades saw an increase of US\$0.40/bbl for June, leaving them with an OSP of US\$1.45/bbl and US\$0.15/bbl respectively. For the US, Aramco decreased the OSP for Arab Light by US\$0.10/bbl to US\$3.05/bbl.

We continue to see the oil market tightening, this is reflected in physical values, as well as the prompt ICE Brent spread, which has traded to as high as US\$0.84/bbl this morning. While time spreads continue to strengthen, the flat price has come under renewed pressure this morning, along with the broader commodities complex, after President Trump said that the US will increase tariffs on US\$200b of Chinese good from 10% to 25% this Friday.

Speculative positioning: Latest exchange data shows that speculators increased their net long in ICE Brent by 8,103 lots over the last week, leaving them with a net long of 404,369 lots as of last Tuesday. The bulk of the increase was driven by fresh longs. However with the selling pressure we have seen in the market since Tuesday, we would expect that a large portion of the fresh longs have been flushed out.

Meanwhile CFTC data shows that speculators decreased their net long in WTI by 13,044 lots over the last week, leaving them with a net long of 301,343 lots as of last Tuesday. The US market has been under relatively more pressure recently, with fairly large crude oil builds reported by the EIA over the last few weeks.

Metals

Tariffs back on: In a Sunday Tweet, President Trump announced plans to increase duties on US\$200bn of Chinese goods from 10% to 25% this Friday, i.e. 10th May if no trade deal is reached by then. Trump appears frustrated at the slow pace of progress in negotiating a deal. The President also stated that the rest of the Chinese goods “remain untaxed (for now), but will be (taxed) shortly, at a rate of 25%” suggesting that the trade war could very well escalate in coming weeks. The announcement comes as a major surprise to the market, with many of the view that the two parties were close to reaching a deal. SHFE metals are all under pressure this morning, whilst COMEX copper is around 1% down so far on the day. For the LME, we will have to wait until tomorrow to see the impact, with the market closed due to a UK bank holiday.

CFTC data: Latest CFTC data shows that money managers increased their net short position in COMEX copper by 3,194 lots last week, with them now holding a net short of 9,794 lots. Renewed trade concerns is likely to see this net short grow moving forward. Meanwhile turning to gold, and after having only recently switched to a net short, speculators bought 32,768 lots of gold over the last reporting week, which left them with a net long of 10,440 lots as of last Tuesday. The bulk of this buying was short covering. Latest developments on the trade side, will likely see investors becoming more risk averse, which could see them moving towards safe haven assets like gold in the coming weeks.

Agriculture

Soybeans & trade talks: It is no surprise that the grains complex is under significant pressure this morning, following President Trump's tweet. Both CBOT corn and soybeans are down by more than 2%, which means speculators have likely only increased their net short in both further, particularly for soybeans. Latest CFTC data shows that speculators sold 18,960 lots in CBOT soybeans last week, leaving them with a record net short of 148,526 lots as of last Tuesday.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|----------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 70.85 | 0.14 | 31.69 | Comex Silver (US\$/oz) | 14.9 | 2.52 | -4.07 |
| NYMEX WTI (US\$/bbl) | 61.94 | 0.21 | 36.40 | LME Copper (US\$/t) | 6,236 | 1.12 | 4.54 |
| ICE Gasoil (US\$/t) | 649 | 1.80 | 27.07 | LME Aluminium (US\$/t) | 1,796 | -1.13 | -2.74 |
| NYMEX HO (Usc/g) | 207 | -0.37 | 23.17 | LME Zinc (US\$/t) | 2,771 | 1.46 | 12.32 |
| Eurobob (US\$/t) | 696 | 0.88 | 45.04 | LME Nickel (US\$/t) | 12,179 | 0.45 | 13.93 |
| NYMEX RBOB (Usc/g) | 203 | 0.41 | 53.09 | | | | |
| NYMEX NG (US\$/mmbtu) | 2.57 | -0.85 | -12.69 | CBOT Corn (Usc/bu) | 363 | 0.28 | -3.20 |
| | | | | CBOT Wheat (Usc/bu) | 428 | -1.21 | -14.95 |
| API2 Coal (US\$/t) | 65 | 3.51 | -23.38 | CBOT Soybeans (Usc/bu) | 830 | -0.12 | -6.01 |
| NYMEX Coking Coal (US\$/t) | 205 | 1.23 | -9.82 | ICE No.11 Sugar (Usc/lb) | 12.01 | -1.80 | -0.17 |
| | | | | ICE Arabica (Usc/lb) | 89 | -1.11 | -12.37 |
| | | | | ICE London Cocoa (GBP/t) | 1,909 | -1.24 | 8.10 |

Source: Bloomberg, ING Research

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