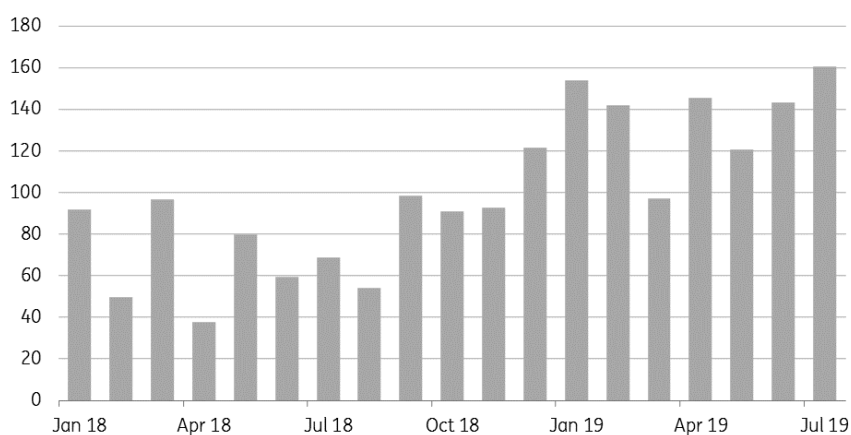


The Commodities Feed: Trade fears & market moves

Your daily roundup of commodity news and ING views



China ferro nickel imports (k tonnes)



Source: China Customs, ING Research

Energy

Trade & market moves: The oil flat price remains largely under pressure, and this is no surprise following the announcement of retaliatory tariffs on the US from China on Friday (including a 5%

tariff on US oil), which was followed by the US threatening to increase tariffs further. While ICE Brent is trading below US\$60/bbl once again, the prompt ICE Brent time spread remains well in backwardation, and has strengthened from US\$0.42/bbl on Thursday, to US\$0.58/bbl currently. This suggests a tightening in the spot physical market. The strength in the spread could also be partly due to the fact that with a Chinese tariff of 5% on US crude oil, this might put more of a pull on crude from the Atlantic Basin.

The tariff announcement also saw a weakening in the WTI/Brent spread, with the tariff enough to see Chinese buyers turn elsewhere for supply. Although admittedly, the volumes that China has imported from the US this year have been pretty low, with imports averaging just 126Mbbbls/d over the first seven months of this year. However, with US crude oil output forecast to grow moving forward, the loss of any potential market, particularly the largest crude oil importer, is clearly not ideal.

US crude oil inventories: The API is scheduled to release its latest weekly report later today, and market expectations are that US crude oil inventories declined by 2.25MMbbbls, according to a Bloomberg survey. If this is the case, it will only push US inventories closer towards the five-year average. On the product side, expectations are for a 433Mbbbls and 1.25MMbbbls stock build in gasoline and distillate fuel oil, respectively.

Metals

China data: Latest data from China Customs shows that NPI imports into the country increased 133% year-on-year (+12% month-on-month) to 161kt, while year-to-date imports were up 69% YoY to total 820kt. Nickel ore imports also increased 27% MoM (+18% YoY) to 5.4mt over the month, while YTD imports are down 4% YoY to total 21.8mt. Among other base metals, refined copper imports into the country increased 37% MoM (down 8% YoY) to 297kt in July, however YTD imports are 22% lower YoY to total 1.68mt.

Alumina imports increased to 202kt over the month, whilst cumulative imports over the first seven months of the year are up 30% YoY to total 473kt. China has turned a net importer of alumina over the past few months and has been absorbing excess supply from the global market on better arbitrage. Meanwhile, aluminium semis exports from China softened moderately to 456kt (down 6% YoY) with YTD exports down 10% YoY to total 2.7mt.

Agriculture

European crop yields: In its monthly crop monitoring report, the European Commission lowered yield estimates for the majority of summer crops due to adverse weather. The majority of Europe witnessed warmer-than-usual and dry weather over the past few weeks, which continues to negatively impact the current crops. The Commission now expects a sugar beet yield of 71.5t/ha, compared to its earlier estimate of 73.9t/ha in July and the five-year average of 75.2t/ha. Similarly, yield estimates for corn have been revised down from 8.08t/ha to 7.93t/ha.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	58.7	-1.08	9.11	Spot Gold (US\$/oz)	1,527.3	0.02	19.09
NYMEX WTI (US\$/bbl)	53.64	-0.98	18.12	Spot Silver (US\$/oz)	17.7	1.39	14.01
ICE Gasoil (US\$/t)	558	0.36	9.25	LME Copper (US\$/t)	N/A	N/A	N/A
NYMEX HO (Usc/g)	179	-1.28	6.64	LME Aluminium (US\$/t)	N/A	N/A	N/A
Eurobob (US\$/t)	590	-0.30	22.99	LME Zinc (US\$/t)	N/A	N/A	N/A
NYMEX RBOB (Usc/g)	162	-1.60	22.12	LME Nickel (US\$/t)	N/A	N/A	N/A
NYMEX NG (US\$/mmbtu)	2.23	3.62	-24.15	CBOT Corn (Usc/bu)	359	-0.35	-4.40
TTF Natural Gas (EUR/MWh)	10.31	-2.55	-53.08	CBOT Wheat (Usc/bu)	473	-0.47	-6.01
API2 Coal (US\$/t)	60	0.25	-29.57	CBOT Soybeans (Usc/bu)	854	1.25	-3.26
Newcastle Coal (US\$/t)	65	0.00	-36.39	ICE No.11 Sugar (Usc/lb)	11.43	-0.35	-4.99
SGX TSI Coking Coal (US\$/t)	151	1.67	-28.77	ICE Arabica (Usc/lb)	94	1.67	-7.56
SGX Iron Ore 62% (US\$/t)	83.67	-4.05	20.44	ICE London Cocoa (GBP/t)	N/A	N/A	N/A

Source: Bloomberg, ING Research

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