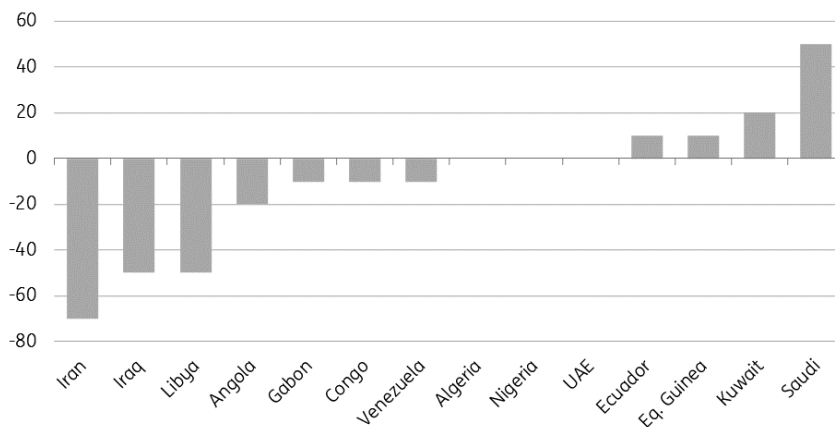


# The Commodities Feed: Trade tensions build...again

Your daily roundup of commodity news and ING views



OPEC MoM change in production- July vs. June (Mbb/d)



Source: Bloomberg

## Energy

**Trump & trade:** The oil market was already under pressure yesterday following the outcome of Wednesday's Federal Reserve meeting, however President Trump's tweet that the US would impose a 10% duty on the remaining \$300 billion of Chinese goods was enough to exert further pressure on the oil market, with ICE Brent settling almost 7.2% lower on the day. This is the biggest daily decline in the front month contract since February 2016. Still, we continue to hold a constructive view on the back of OPEC+ supply cuts and Iranian sanctions, though clearly sentiment is bearish as a result of the broader macro and trade concerns.

Whilst the flat price came under significant pressure yesterday, the prompt ICE Brent time spread continued to strengthen. The Oct/Nov spread is trading at US\$0.57/bbl at the time of writing, up from \$0.25/bbl a couple of weeks ago.

**OPEC production:** Bloomberg estimates show that OPEC production over the month of July averaged 29.87MMbbls/d, a decline of 130MMbbls/d MoM, and the lowest monthly production number seen from the group since May 2014. These numbers continue to show that OPEC remains committed to bringing the market back to balance, with Saudi Arabia leading the way. The Kingdom continues to produce significantly below its quota level of around 10.3MMbbls/d, with production averaging 9.87MMbbls/d over July. However it is not just because of the agreed OPEC supply cuts that we continue to see a reduction- Iranian production is estimated to have fallen by 70MMbbls/d MoM to average 2.21MMbbls/d, reflecting the impact from US sanctions.

## Metals

**Trade war heats up:** President Trump tweeted yesterday that the US intends to levy a 10% import duty on the rest of the \$300bn of Chinese goods effective 1 September, as the first round of trade talks ended without any meaningful progress earlier this week. China is likely to retaliate, though the country has not announced any measures so far. Higher import duties and increased friction for global trade are likely to weigh further on global industrial activity and economic growth which has already been under pressure over the past few months. A further deterioration in trade relations will likely put further pressure on the base metals complex, whilst making safe haven assets such as gold even more appealing.

**Iron ore supply:** Prospects for iron ore supply in 2020 have improved after Vale said that it expects nearly 20mt of iron ore mining capacity (out of the 50mt that is still closed) to restart gradually by the end of the year. Vale's and BHP's Samarco mine could also return to production in 2020, with permission to restart potentially granted over the second half of this year. Meanwhile, Brazil reported that its iron ore exports increased 16.6% month-on-month to 34.3mt in July, and current shipments are largely in-line with pre-incident levels. Iron ore prices have fallen by around 8% over the past two days as improved supply prospects and renewed trade concerns weigh on market sentiment.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	60.5	-7.17	12.45	Spot Gold (US\$/oz)	1,445.2	2.22	12.69
NYMEX WTI (US\$/bbl)	53.95	-7.90	18.81	Spot Silver (US\$/oz)	16.3	0.44	5.42
ICE Gasoil (US\$/t)	586	-2.58	14.78	LME Copper (US\$/t)	5,899	-0.47	-1.11
NYMEX HO (Usc/g)	185	-5.22	10.24	LME Aluminium (US\$/t)	1,780	-1.06	-3.58
Eurobob (US\$/t)	606	-4.46	26.32	LME Zinc (US\$/t)	2,404	-1.64	-2.55
NYMEX RBOB (Usc/g)	175	-8.00	32.20	LME Nickel (US\$/t)	14,595	0.72	36.53
NYMEX NG (US\$/mmbtu)	2.20	-1.39	-25.10				
TTF Natural Gas (EUR/MWh)	12.36	12.39	-43.77	CBOT Corn (Usc/bu)	393	-1.87	4.73
				CBOT Wheat (Usc/bu)	476	-2.36	-5.46
API2 Coal (US\$/t)	60	1.28	-30.81	CBOT Soybeans (Usc/bu)	847	-1.97	-4.02
Newcastle Coal (US\$/t)	73	0.55	-28.30	ICE No.11 Sugar (Usc/lb)	12.12	-0.74	0.75
SGX TSI Coking Coal (US\$/t)	159	2.13	-24.85	ICE Arabica (Usc/lb)	97	-2.41	-4.52
SGX Iron Ore 62% (US\$/t)	108.11	-7.04	55.62	ICE London Cocoa (GBP/t)	1,823	-0.11	3.23

Source: Bloomberg, ING Research

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