

The Commodities Feed: Trump & Putin talk

Your daily roundup of commodity news and ING views



Energy

The downward pressure only continued yesterday with ICE Brent settling 8.7% lower and trading down to 18-year lows. We continue to believe that there is further downside in the coming weeks, as we enter 2Q20 with the expected surge in OPEC+ production.

President Trump is also getting increasingly worried about the low price environment and had a call on Monday with President Putin to discuss the ongoing price war with Saudi Arabia. While both agreed on the importance of stability in the oil markets, there was little evidence of action to be taken to tackle the issue. It is difficult to see Russia resuming talks with Saudi Arabia at the request of the US, given that the reason the deal fell apart was due to the fact that Russia was tired of giving market share away to the US. Furthermore, the sanctions we have seen the US impose on a number of Russian companies give little incentive for Russia to listen to the US.

One way to get Russia to discuss potential output cuts would be to broaden the group of countries cutting output, and in particular ensuring the involvement of the US. This will be a tough ask though, but regulators in Texas are set to meet in mid-April to discuss the idea of production cuts in the state. Pressure is building in Texas, with WTI Midland prices trading sub-US\$12/bbl, levels

which are just far too low for producers, and so expect rig activity in the US to continue sliding lower. It looks even gloomier for Canadian oil producers, where West Canada Select is now trading below US\$5/bbl.

Metals

Precious metals came under pressure yesterday, with spot gold closing marginally lower. However prices remain well above the US\$1,600/oz level, and total known gold ETF holdings are at record levels, exceeding 90moz. Given the level of uncertainty in markets at the moment, along with falling interest rates and central bank easing we continue to hold of a constructive view on the yellow metal. Although a dampener for demand is that the Bank of Russia yesterday said it will stop domestic purchases of gold from 1 April, and that further purchases will “depend on how the situation develops”. The Russian central bank has been key for gold demand over recent years, adding significant volumes to its reserves in an attempt to diversify them.

Meanwhile, miners continue to slash production levels amid the Covid-19 outbreak. Major platinum miners – Anglo American Platinum, Sibanye Stillwater and Impala Platinum have declared force majeure due to an ongoing national lockdown in South Africa. Vedanta Zinc also announced that it will suspend operations temporarily at its Skorpion mine and refinery in Namibia until the end of April. The suspension was due to pit failures in January which disabled a significant portion of the mine. Meanwhile in China, Henan Yuguang gold and lead smelter will carry out scheduled annual maintenance for 20 days, starting from early April.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	22.76	-8.70	-65.52	Spot Gold (US\$/oz)	1,622.5	-0.35	6.94
NYMEX WTI (US\$/bbl)	20.09	-6.60	-67.10	Spot Silver (US\$/oz)	14.0	-2.90	-21.31
ICE Gasoil (US\$/t)	285	-5.00	-53.54	LME Copper (US\$/t)	4,770	-0.44	-22.75
NYMEX HO (Usc/g)	102	-4.60	-49.74	LME Aluminium (US\$/t)	1,531	-0.97	-15.44
Eurobob (US\$/t)	269	-0.11	-53.47	LME Zinc (US\$/t)	1,872	-0.32	-17.61
NYMEX RBOB (Usc/g)	59	2.06	-65.51	LME Nickel (US\$/t)	11,320	-0.31	-19.29
NYMEX NG (US\$/mmbtu)	1.69	3.43	-22.80				
TTF Natural Gas (EUR/MWh)	6.90	-4.45	-42.77	CBOT Corn (Usc/bu)	341	-1.37	-11.99
				CBOT Wheat (Usc/bu)	570	-0.31	1.92
API2 Coal (US\$/t)	52	-2.44	-6.32	CBOT Soybeans (Usc/bu)	882	0.09	-6.44
Newcastle Coal (US\$/t)	69	-3.84	-0.22	ICE No.11 Sugar (Usc/lb)	10.73	-3.33	-20.04
SGX TSI Coking Coal (US\$/t)	145	-1.91	2.81	ICE Arabica (Usc/lb)	119	2.98	-8.02
SGX Iron Ore 62% (US\$/t)	80.77	-2.79	-11.55	ICE London Cocoa (GBP/t)	1,771	-0.78	-2.64

Source: Bloomberg, ING Research

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