

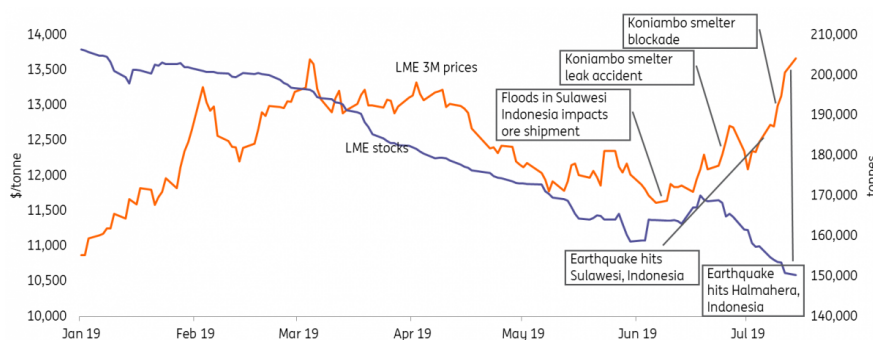
The Commodities Feed: US crude inventory decline below expectations

Your daily roundup of commodity news and ING views



Source: Shutterstock

LME nickel prices and inventory



Source: Bloomberg, ING

Energy

US inventories: The American petroleum institute (API) yesterday reported that US crude oil inventory dropped by 1.4MMbbls over the last week, less than the 2.5MMbbls drawdown that the market was expecting, according to a Bloomberg survey. The API also reported a fall of 1.2MMbbls of oil inventory at Cushing, Oklahoma. On products, API reported that gasoline inventory dropped

by 0.5MMbbls while distillate inventory increased by 6.2MMbbls. Widely followed EIA data is scheduled to be released later today. Meanwhile, BSEE says that 58% of oil production (around 1.1MMbbls/d) remains shut in the Gulf of Mexico region as of Tuesday, improving from 69% closure on Monday.

Russian oil output: Interfax reports that Russia's crude oil output has dropped to 10.955MMbbls/d over the first two weeks of July, compared to 11.155MMbbls/d of production in June 2019 due to production cuts by Rosneft at its main west Siberian unit. The contaminated oil incident earlier this year and ensuing tension between Rosneft and pipeline operator Transneft have been the primary factor for the reduced oil output in the country. Under the OPEC+ deal, Russia was to keep output at around 11.2MMbbls/d and the current disruption will keep the country fully compliant to the deal.

Metals

Nickel stocks: LME nickel stocks have dropped by around 16kt in the month so far taking the year-to-date withdrawal to 58kt. At current levels of 149kt, LME nickel stocks are at the lowest levels in nearly six years and highlight a tighter physical market. The output disruptions over the recent few weeks including leakages at Glencore's Koniombo smelter and floods in Indonesia have further accentuated the inventory drawdown. However, the time spread on the LME remains somewhat comfortably in the range of US\$40-70 of Contango giving mixed signals on metals availability. On the other hand, SHFE nickel stocks surged to a 17-month high of 25.8kt; though it remains only a fraction of LME stocks.

Iron ore speculation: To rein in the speculative activity in iron ore futures contract; Dalian Commodity Exchange announced increasing trading fees on September contract (most active contract currently) to 0.025% from earlier 0.01%. It also increased trading fees on other contracts as well making it costlier to trade in iron ore futures. The measure was implemented as the iron ore active contract made a fresh high of CNY910/t yesterday. Earlier in the month, China Iron & Steel Association urged the government to keep the iron ore prices under check as higher prices were seen impacting profitability and sustainability of the steel industry.

China metals output: Data released by China's National Bureau of Statistics shows that the country's refined copper output increased 11.8% YoY to 804kt in June 2019 with YTD output up 5.8% to 4.52mt. Alumina output in the country increased 5.4% YoY to 6.4mt in June 2019 with YTD output up 11.1% YoY to 37.2mt. China's zinc output also surged 10.3% YoY to 513kt with YTD output largely flat at 2.8mt. Higher availability of raw materials and increased utilization rates at smelting and refining plants helped the base metals production to increase in the country.

Agriculture

Cocoa processing: European cocoa association reported that cocoa processing in the region dropped 3.2% YoY to a two-year low of 344.9kt in 2Q19 due to higher prices and low margins. Adding to the pressure was low demand from chocolate makers as sales have been slower. Meanwhile, two of the biggest cocoa producers, Ivory Coast and Ghana have implemented a US\$400/t of surcharge for the 2020/21 harvest, aiming to boost farmer's income. However, higher prices could potentially lead to a bigger crop for the year which may make it difficult for prices to sustain; especially when demand may not be very robust due to increased cost and a slowing economy.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	64.35	-3.20	19.61	Spot Gold (US\$/oz)	1,406.2	-0.56	9.65
NYMEX WTI (US\$/bbl)	57.62	-3.29	26.89	Spot Silver (US\$/oz)	15.6	1.14	0.41
ICE Gasoil (US\$/t)	600	-0.08	17.47	LME Copper (US\$/t)	6,012	0.48	0.79
NYMEX HO (Usc/g)	190	-2.39	13.33	LME Aluminium (US\$/t)	1,850	0.43	0.22
Eurobob (US\$/t)	638	-1.21	33.03	LME Zinc (US\$/t)	2,482	1.55	0.61
NYMEX RBOB (Usc/g)	189	-1.99	42.92	LME Nickel (US\$/t)	14,070	2.96	31.62
NYMEX NG (US\$/mmbtu)	2.31	-4.24	-21.56				
TTF Natural Gas (EUR/MWh)	11.42	-11.46	-48.07	CBOT Corn (Usc/bu)	435	-1.30	16.07
				CBOT Wheat (Usc/bu)	508	-0.05	0.84
API2 Coal (US\$/t)	61	-1.78	-29.42	CBOT Soybeans (Usc/bu)	888	-1.55	0.59
Newcastle Coal (US\$/t)	74	-0.67	-26.82	ICE No.11 Sugar (Usc/lb)	11.99	-0.58	-0.33
SGX TSI Coking Coal (US\$/t)	179	-1.74	-15.71	ICE Arabica (Usc/lb)	104	-4.32	2.21
SGX Iron Ore 62% (US\$/t)	116.04	-0.35	67.04	ICE London Cocoa (GBP/t)	1,722	0.12	-2.49

Source: Bloomberg, ING

Author

Warren Patterson

Head of Commodities Strategy

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>.