

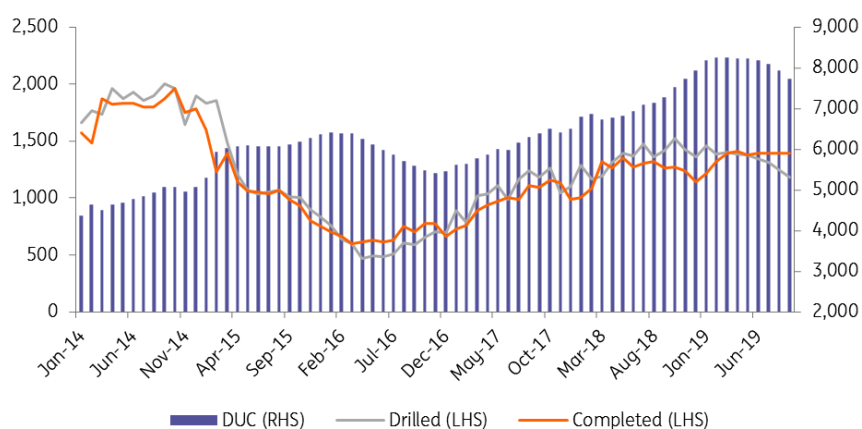
The Commodities Feed: US drilling continues to slow

Your daily roundup of commodity news and ING views



Source: iStock

US drilled but uncompleted wells



Source: EIA, ING Research

Energy

US drilling productivity: The EIA released its monthly drilling productivity report yesterday in which it estimated that US shale oil production will increase by 58Mbbbls/d month-on-month to average 8.97MMbbbls/d over November. The key region driving this growth continues to be the Permian, where output is estimated to increase by 63Mbbbls/d to 4.61MMbbbls/d. Meanwhile, declines of 12Mbbbls/d and 13Mbbbls/d are expected in Eagle Ford and Anadarko, respectively.

Looking at the drilled but uncompleted well inventory, we continue to see a decline, with DUCs declining by 206 over the month to total 7,740 by the end of September. This is the largest monthly decline in US DUCs that has been seen going back as far as 2014. The key behind this fall, is declining drilling activity, and with a heavy global surplus over 1H20, pressure is likely to remain on prices, and in turn on drilling activity.

Today will see the API release its weekly inventory report, and market expectations are that US crude oil inventories increased by 3MMbbbls over the last week. If confirmed by the API and the EIA today, this would likely put some immediate pressure on the market, in an environment where demand concerns continue to linger.

Tanker rates ease: Having rallied significantly for much of this month on the back of US sanctions on several Chinese ship owners, tanker rates this week have finally started to fall. VLCC rates from West Africa to China rallied from around US\$3.40/bbl at the start of the month, to over US\$10/bbl earlier this week, only to decline to a little over US\$8/bbl yesterday, according to Bloomberg numbers. The general strength in freight rates has led to concerns that refineries will start to cut run rates, and this concern has been partly reflected in the prompt ICE Brent time spread, which has come under pressure this month.

Metals

Copper disruptions: MMG has halted nearly 90% of mining capacity at the 400ktpa Las Bambas mine in Peru due to ongoing local protests against mining operations, and the mine could be closed fully today if protests continue. MMG declared 'force majeure' on copper supplies, which came into effect last Friday, as protesters blocked road access to the mine, which prevented the transportation of copper concentrate. In neighbouring Chile, mineworkers at Teck's 60ktpa Carmen de Andacollo copper mine have been on strike for the past two days due to a dispute over the new wage agreement. Mine supply disruptions from South America could tighten the market over 4Q19; however price direction will likely continue to be dictated by the demand picture, given the softer economic environment and uncertainty.

Rio Tinto aluminium: Rio Tinto has lowered its production guidance for aluminium due to maintenance issues and the low price environment, which is weighing on operating rates at refineries and smelters. Rio Tinto expects bauxite production to total around 54mt in 2019 compared to its earlier estimate of 56-59mt, while alumina production is expected to come in around 7.7mt compared to the previous forecast of 8.1-8.4mt. Aluminium production is also expected to come in at the lower end of the guidance range of 3.2-3.4mt.

Agriculture

US crop progress & export inspections: The weekly crop progress report from the USDA shows slower progress on crop harvesting for soybean and corn. The latest data shows that soybean

harvesting in the US increased to 26% of the crop as of 13 October 2019 (+12% week-on-week) compared to the five-year average of 49%. For corn, 22% (+7% week-on-week) of the current crop was harvested to date, versus a five-year average of 36%.

Looking at export inspections from the US, 471kt of corn was inspected for export for the week ending 10 October, which takes total inspections for the current marketing year to 2.5mt, well below the 6.92mt inspected by the same stage last year. As for soybeans, export inspections are holding up better, with 955kt inspected over the last week, which takes total export inspections for this marketing year to 5.16mt, up from 4.8mt at the same stage last year, and reflects stronger Chinese buying over the past month.

Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	58.74	-1.03		9.18		Spot Gold (US\$/oz)	1,481.0	-0.82		15.48	
NYMEX WTI (US\$/bbl)	52.81	-1.46		16.30		Spot Silver (US\$/oz)	17.4	-1.37		12.38	
ICE Gasoil (US\$/t)	584	0.73		14.24		LME Copper (US\$/t)	5,773	-0.77		-3.22	
NYMEX HO (USc/g)	191	-0.27		13.64		LME Aluminium (US\$/t)	1,728	0.47		-6.39	
Eurobob (US\$/t)	558	-0.68		16.37		LME Zinc (US\$/t)	2,438	0.74		-1.18	
NYMEX RBOB (USc/g)	161	0.07		21.96		LME Nickel (US\$/t)	16,995	2.69		58.98	
NYMEX NG (US\$/mmbtu)	2.34	2.59		-20.44		CBOT Corn (USc/bu)	393	-1.13		4.87	
TTF Natural Gas (EUR/MWh)	16.07	0.16		-26.92		CBOT Wheat (USc/bu)	507	-0.78		0.75	
API2 Coal (US\$/t)	64	-1.30		-23.97		CBOT Soybeans (USc/bu)	934	-0.69		5.84	
Newcastle Coal (US\$/t)	68	0.30		-33.09		ICE No.11 Sugar (USc/lb)	12.59	0.56		4.66	
SGX TSI Coking Coal (US\$/t)	153	-0.28		-27.83		ICE Arabica (USc/lb)	94	-0.42		-7.27	
SGX Iron Ore 62% (US\$/t)	87.86	1.56		26.47		ICE London Cocoa (GBP/t)	1,934	1.90		9.51	

Source: Bloomberg, ING Research

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 www.ing.com.