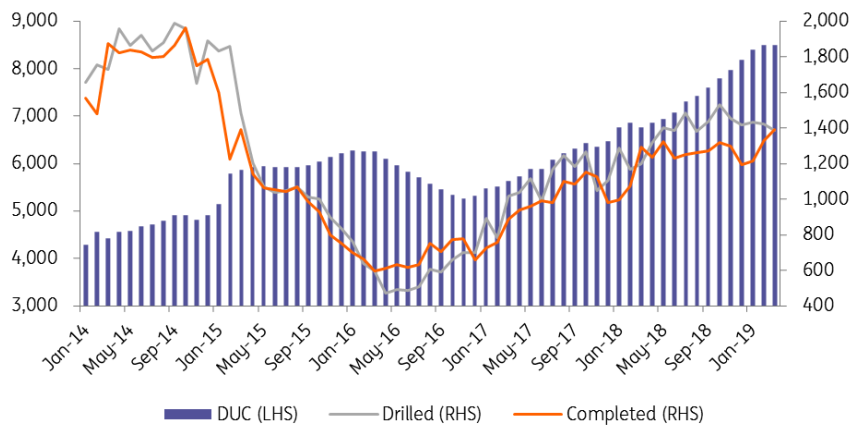


The Commodities Feed: US drilling slowdown

Your daily roundup of commodity news and ING views



US drilled but uncompleted wells



Source: EIA, ING Research

Energy

US crude oil inventories: The API is scheduled to release its weekly inventory numbers later today, and market expectations are that US crude oil inventories increased by around 2MMbbls over the week, according to a Bloomberg survey. On the product side, draws of 2.55MMbbls and 1MMbbls are expected for gasoline and distillate fuel oil, respectively. Moving forward, refinery utilisation rates should pick up, which should see a reversal in the large draws that we have seen on the product side recently. In fact, US gasoline inventories have fallen back below the five-year average, which has been supportive for the gasoline crack.

US drilling productivity: The EIA's monthly Drilling Productivity Report estimated that US shale output will increase to 8.46MMbbls/d, up from an estimated 8.38MMbbls/d in April. Meanwhile, the EIA reported that the number of drilled but uncompleted (DUCs) wells fell by four over March to total 8,500. This is the first month-on-month decline in DUCs since March 2018. Drilling activity did slow over March, with the number of active oil rigs falling by 27 over the month. This slowdown appears to reflect the price weakness seen over late 4Q.

Metals

Iron ore supply: Steelhome data shows that Chinese iron ore port inventory fell 3.4% week-on-week to 143.9mt, the biggest weekly decline in nearly four years as Brazilian supply declines. Brazil's Ministry of Trade and Commerce says that iron ore exports from the country fell to 0.75mt per day over the first ten days of April compared to last year's 1.23mt, reflecting the Vale declines. Meanwhile, Rio Tinto has also lowered its guidance on iron ore shipments due to cyclones and a fire at one of its facilities. The company now expects shipments to come in between 333-343mt, compared to their previous forecast of 338-350mt. These supply disruptions are likely to continue offering support to iron ore prices.

Agriculture

US export inspections: Latest data from the USDA shows that over the last week, 461kt of US soybeans were inspected for export, down from 889kt in the previous week. Of the volume inspected over the week, 130kt is destined for China. Cumulative US soybean export inspections total 30.6mt, compared to 42.4mt at the same stage last season. Meanwhile, corn export inspections over the week totalled 1.18mt, up from 1.06mt in the previous week.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	71.18	-0.52	32.30	Comex Silver (US\$/oz)	15.0	0.08	-3.64
NYMEX WTI (US\$/bbl)	63.4	-0.77	39.62	LME Copper (US\$/t)	6,480	-0.06	8.63
ICE Gasoil (US\$/t)	630	-0.51	23.30	LME Aluminium (US\$/t)	1,865	0.11	1.03
NYMEX HO (Usc/g)	206	-0.47	22.62	LME Zinc (US\$/t)	2,900	-0.96	17.55
Eurobob (US\$/t)	678	-0.65	41.39	LME Nickel (US\$/t)	12,991	-0.24	21.52
NYMEX RBOB (Usc/g)	201	-1.24	51.98				
NYMEX NG (US\$/mmbtu)	2.59	-2.63	-11.90	CBOT Corn (Usc/bu)	363	0.48	-3.27
				CBOT Wheat (Usc/bu)	460	-1.08	-8.69
API2 Coal (US\$/t)	63	-3.50	-26.45	CBOT Soybeans (Usc/bu)	899	0.39	1.84
NYMEX Coking Coal (US\$/t)	203	0.50	-10.70	ICE No.11 Sugar (Usc/lb)	12.66	-0.86	5.24
				ICE Arabica (Usc/lb)	91	1.11	-10.26
				ICE London Cocoa (GBP/t)	1,815	-1.09	2.77

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 <http://www.ing.com>.