

The Commodities Feed: US Gulf storm

Your daily roundup of commodity news and ING views



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Energy

US inventories: Oil prices have strengthened this morning, with WTI up around 1.6% at the time of writing. This follows a bullish release from the API yesterday, which reported that US crude oil inventories declined by 8.13MMbbls over the week, significantly more than the 2.9MMbbls drawdown the market was expecting, according to a Bloomberg survey. The API also reported a 754Mbbbls fall in Cushing inventories, while on the product side, gasoline inventories fell by 257Mbbbls and distillate fuel oil stocks climbed by 3.69MMbbls.

The report overall was clearly constructive, however the market will likely put more focus on the EIA weekly numbers which will be released later today.

US Gulf storm: Another factor which has proved supportive for the market is news that a number of US oil producers in the Gulf of Mexico started evacuating and shutting in production at some of their offshore platforms, with a tropical depression expected to form late Wednesday. While historically the Gulf of Mexico has been a significant proportion of total US production, this has fallen in recent years with the strong growth seen in shale- so far this year the Gulf of Mexico has made up around 16% of total US oil production, which compares to around 20% back in 2012.

Metals

Lead outage delays: LME base metals extended losses yesterday amid dollar strength, the only stand out was lead, with news that Nyrstar was extending force majeure at its 160ktpa Port Pirie lead smelter in Australia until the last week of July. Initially, expectations were that the smelter would restart by the second week of July. This has provided a boost to LME lead prices, while exchange inventory is at a decade low. The cash/3M spread has also strengthened in recent days, from a contango of US\$15/t last week to a contango of US\$2.75/t yesterday.

Copper treatment charges: Chilean miner Antofagasta has agreed to supply China's two top smelting companies with copper concentrate in the first half of 2020 at treatment and refining charges (TC/RCs) in the mid-\$60s per tonne/6s cents per lb, according to Fastmarkets. This is close to what is currently offered in the spot TCs market and marks a big drop from 2019 benchmark TCs agreed at \$80.8/t (RC at 8.08 cents/lb). Given the timing of the agreement, it seems that this year, smelters are in a bit hurry to secure their concentrate feed. The tightening of copper mine supply is also evident from the TCs agreed in the latest deal.

Agriculture

Chinese corn demand: Corn has had a bullish run since early May due to delayed US plantings with heavy rainfall over the planting season. However looking ahead, there are growing concerns over the demand picture for the corn market, and this is largely a result of the outbreak of African swine fever in China. China's National Grain and Oils Information Center estimates that corn demand for animal feed in 2018/19 will fall to 175mt, which would be down from 185mt in the previous year.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	64.16	0.08	19.26	Spot Gold (US\$/oz)	1,397.6	0.15	8.98
NYMEX WTI (US\$/bbl)	57.83	0.29	27.35	Spot Silver (US\$/oz)	15.1	0.50	-2.50
ICE Gasoil (US\$/t)	576	-0.52	12.82	LME Copper (US\$/t)	5,822	-1.19	-2.40
NYMEX HO (Usc/g)	191	0.81	13.67	LME Aluminium (US\$/t)	1,821	0.66	-1.35
Eurobob (US\$/t)	637	0.81	32.79	LME Zinc (US\$/t)	2,363	-0.63	-4.22
NYMEX RBOB (Usc/g)	193	1.35	45.57	LME Nickel (US\$/t)	12,700	-0.16	18.80
NYMEX NG (US\$/mmbtu)	2.43	0.92	-17.52				
TTF Natural Gas (EUR/MWh)	11.76	-1.01	-46.51	CBOT Corn (Usc/bu)	432	-1.54	15.13
				CBOT Wheat (Usc/bu)	510	-1.35	1.29
API2 Coal (US\$/t)	61	-2.65	-29.70	CBOT Soybeans (Usc/bu)	883	0.86	0.03
Newcastle Coal (US\$/t)	76	0.13	-24.70	ICE No.11 Sugar (Usc/lb)	12.35	-0.80	2.66
SGX TSI Coking Coal (US\$/t)	184	-0.51	-13.40	ICE Arabica (Usc/lb)	106	1.10	3.98
SGX Iron Ore 62% (US\$/t)	116.72	3.87	68.01	ICE London Cocoa (GBP/t)	1,840	-1.18	4.19

Source: Bloomberg, ING Research

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