

# The Commodities Feed: US Gulf storm

Your daily roundup of commodity news and ING views



Source: Shutterstock

## 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

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto: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>.