

# The Commodities Feed: US inventories continue to fall

Your daily roundup of commodity news and ING views



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## Energy

The oil market remains well supported, with Hurricane Laura having forced more than 84% of US Gulf of Mexico (GOM) oil production to shut in, which is equivalent to around 1.56MMbbls/d. The hurricane has been upgraded to a category 4, and there are real concerns over the impact when the storm makes landfall, with several cities in Texas and Louisiana issuing evacuation orders for some residents. As for the refining industry, almost 3MMbbls/d of refining capacity is shut in the region due to the storm. A number of LNG plants in the region have shut as well, including Cheniere Energy's Sabine Pass export plant.

The EIA yesterday reported that US crude oil inventories declined by 4.69MMbbls over the last week, not too far from the API's number the previous day. We have now seen five consecutive weeks of crude oil drawdowns, with stocks falling by 28.8MMbbls over the period, leaving total inventories at a little under 508MMbbls, which is still around 67MMbbls above the 5-year average.

Meanwhile looking at products, gasoline stocks fell by 4.58MMbbls over the week, despite refiners increasing their run rates last week. The key driver behind this bigger draw was stronger implied

demand, with gasoline supplied increasing by 531Mbbbls/d WoW, to average 9.16MMbbbls/d over the week, which is the first time we have seen implied demand exceed the 9MMbbbls/d mark since mid-March. Overall refined product demand increased by 2.46MMbbbls/d over the week.

## Metals

Base metals were a mixed bag yesterday, with copper and nickel prices trading in the green, supported by rising supply concerns and the continued decline in inventories. LME copper closed 1% higher yesterday, with LME stocks hitting their lowest levels in 14 years. Inventories fell by a further 3.5kt yesterday to total 92kt. Net outflows for the current month now stand at 36kt. This tightening has been supportive for spreads, with the cash/3M spread trading in a backwardation of US\$21/t.

Looking at mine supply, protests over coronavirus restrictions at Indonesia's Grasberg gold and copper mine entered their third day, disrupting operations. The company hopes to reach a quick solution, which has resulted in a complete halt of metal production since Tuesday. The mine is expected to produce 110kt of ore per day in 2020. Meanwhile, there were reports that mines in northern Chile had also briefly been disrupted due to heavy rains.

## Agriculture

Sugar prices came under further pressure yesterday, with UNICA releasing CS Brazil production numbers for the 1H August. Mills over the first half of the month crushed 46.4mt of sugarcane, up 8.3% YoY. Sugar production over the period came in at 3.2mt, up 51% YoY, with mills allocating a significant amount more of cane towards sugar production rather than ethanol, given the relatively more attractive prices. Meanwhile the cumulative cane crush so far this season is up more than 6% YoY to total almost 373mt, whilst cumulative sugar production so far totals 22.95mt, up 48% YoY. Given the strong allocation of cane to sugar production this season, expectations are that total sugar production this season will likely end up 10mt higher YoY to come in at around 37mt.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	45.64	-0.48	-26.42	Spot Gold (US\$/oz)	1,954.5	1.36	28.81
NYMEX WTI (US\$/bbl)	43.39	0.09	-28.94	Spot Silver (US\$/oz)	27.5	3.64	54.04
ICE Gasoil (US\$/t)	371	-1.98	-37.15	LME Copper (US\$/t)	6,594	1.00	6.80
NYMEX HO (Usc/g)	124	-1.22	-38.63	LME Aluminium (US\$/t)	1,780	0.25	-1.66
Eurobob (US\$/t)	396	-0.08	-32.88	LME Zinc (US\$/t)	2,467	-0.60	8.58
NYMEX RBOB (Usc/g)	136	-2.53	-19.86	LME Nickel (US\$/t)	15,159	1.22	8.09
NYMEX NG (US\$/mmbtu)	2.46	-1.12	12.43	CBOT Corn (Usc/bu)	341	-0.07	-12.19
TTF Natural Gas (EUR/MWh)	9.15	3.18	-24.08	CBOT Wheat (Usc/bu)	532	0.90	-4.79
API2 Coal (US\$/t)	50	0.51	-15.02	CBOT Soybeans (Usc/bu)	920	0.63	-2.49
Newcastle Coal (US\$/t)	50	2.46	-27.59	ICE No.11 Sugar (Usc/lb)	12.58	-1.41	-6.26
SGX TSI Coking Coal (US\$/t)	113	0.70	-20.14	ICE Arabica (Usc/lb)	123	-0.32	-5.32
SGX Iron Ore 62% (US\$/t)	120	2.10	31.52	ICE London Cocoa (GBP/t)	1,657	-2.30	-8.91

Source: Bloomberg, ING Research

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