The Commodities Feed: US oil supply revisions

Your daily roundup of commodity news and ING views

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Energy

Price action in the oil market has been fairly quiet, reflecting the post-OPEC+ hangover. As the morning session has progressed, oil has come under further pressure, with worries re-emerging that trade tariffs may indeed be implemented on 15 December. This follows comments from both Larry Kudlow and Peter Navarro which have suggested that tariffs are still on the table (see also metals section below).

There were some data releases out of the US yesterday, supporting both the bull and the bear camps. Firstly for the bears, API numbers showed that US crude oil inventories increased by 1.41MMbbls over the last week, this is in contrast to expectations of a drawdown of 3MMbbls, according to a Bloomberg survey. Later today, the EIA will release their more widely followed weekly report, and so a number which is similar to the API could put some renewed pressure on the market.

For the bulls, there was the EIA's latest Short Term Energy Outlook. This included a downward revision to their US oil supply growth forecast for 2020. The EIA now expects that US crude oil supply will grow by 930Mbbls/d over the year, compared to their previous forecast of 1MMbbls/d. This would see production in 2020 average 13.18MMbbls/d. The revision lower to output projections should not come as too much of a surprise, given the slowdown that we have seen in US rig activity. Some producers are finding it increasingly difficult to get access to capital, which has an impact on spending. The uncertainty around US output growth is an additional challenge that OPEC+ has to deal with, when it comes to deciding whether production cuts are needed over 2Q20, and if so, the level of cuts needed.

Metals

Yesterday was another cheerful day for the copper bulls, with LME copper briefly touching US$6,100/t before pairing some of these gains in the London afternoon. Copper still managed to settle higher on the day. There is still very little in the way of fresh fundamental news. But in its absence the constant trade noise continues to linger. While there are growing expectations that tariffs will be delayed this Sunday, Larry Kudlow has said that "the tariffs are still on the table", while this morning Trade Advisor, Peter Navarro has echoed this sentiment.

Meanwhile, Chinese vehicle sales data was released yesterday and show that the industry is still struggling, which is obviously not great news for industrial metals demand growth. Total passenger car sales in the first eleven months of this year fell by 10.5% YoY according to the China Association of Automobile Manufacturers (CAAM). Although, the one positive is that total sales increased 6.7% MoM in November.

Nickel’s 'roller coaster' ride continued yesterday. The metal came under pressure earlier in the session, largely driven by a strong surge in LME stocks. Inventories jumped by 21% on Tuesday, which is the largest increase seen since 2008. Meanwhile Chinese inventories also increased by 7.3% to 696kt. Despite this, LME nickel managed to reverse these losses, and in fact closed higher on the day, with significant buying seen in the ShFE night session. It’s difficult to justify this rally, with the only development appearing to be news that Indonesia will increase the royalty for nickel ore sales from 5% to 10%, making it more expensive for buyers.

Finally on the metals front, and PGMs (Platinum Group Metals) extended their gains yesterday, with palladium yet again trading to a record high, breaking above US$1,900/oz. This follows news that a number of miners in South Africa curtailed mining operations in response to the on-going power cuts seen in the country.

Agriculture

Finally, finishing off with Agriculture, and the USDA released their December WASDE yesterday, where the US domestic corn and soybean balance was left unchanged. Meanwhile looking at global balance sheet estimates, the agency made a marginal revision higher in its expectations for global wheat ending stocks in the 2019/20 season, from a little over 288mt to almost 290mt. Turning to corn, and global stock estimates were revised higher by almost 5mt, taking total ending inventories to just above 300mt - this increase was driven largely by an increase in production forecasts for China. Finally, global soybean stocks were also revised up by around 1mt, to 96.4mt. Overall, the WASDE report was fairly neutral, with no significant changes to balance sheets.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**64.34**	0.14	19.59	Spot Gold (US$/oz)	**1,464.4**	0.19	14.18
NYMEX WTI (US$/bbl)	**59.24**	0.37	30.46	Spot Silver (US$/oz)	**16.7**	0.35	7.55
ICE Gasoil (US$/t)	**590**	0.68	15.57	LME Copper (US$/t)	**6,100**	0.41	2.26
NYMEX HO (Usc/g)	**197**	1.10	16.94	LME Aluminium (US$/t)	**1,755**	-0.11	-4.93
Eurobob (US$/t)	**569**	-0.12	18.54	LME Zinc (US$/t)	**2,228**	-0.51	-9.71
NYMEX RBOB (Usc/g)	**165**	-0.14	24.84	LME Nickel (US$/t)	**13,405**	0.49	25.40
NYMEX NG (US$/mmbtu)	**2.26**	1.43	-22.99				
TTF Natural Gas (EUR/MWh)	**14.53**	-2.39	-33.89	CBOT Corn (Usc/bu)	**363**	-0.68	-3.13
				CBOT Wheat (Usc/bu)	**535**	0.52	6.26
API2 Coal (US$/t)	**55**	-1.26	-35.36	CBOT Soybeans (Usc/bu)	**901**	0.45	2.12
Newcastle Coal (US$/t)	**67**	-0.45	-34.17	ICE No.11 Sugar (Usc/lb)	**13.46**	0.60	11.89
SGX TSI Coking Coal (US$/t)	**139**	-1.48	-34.27	ICE Arabica (USc/lb)	**132**	3.73	29.65
SGX Iron Ore 62% (US$/t)	**91.31**	-0.64	31.44	ICE London Cocoa (GBP/t)	**1,974**	-0.80	11.78

Source: Bloomberg, ING Research

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