

The Commodities Feed: US shale growth set to slow

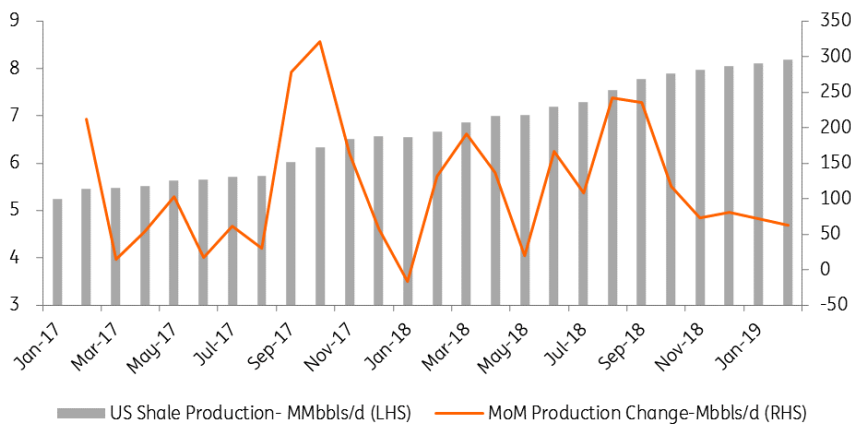
Your daily roundup of commodity news and ING views



Oil prices have sold off aggressively

Source: Shutterstock

US shale production growth expected to slow further



Source: EIA, ING Research

Energy

US drilling productivity report: The EIA released its monthly drilling productivity report yesterday, and they estimate that US shale production over February will grow by 62Mbbbls/d month-on-month to total 8.18MMbbbls/d. Which if turns out to be the case, would be the slowest MoM growth seen since May 2018. The increased price volatility over much of 4Q18 will have done little to support increased drilling activity. Meanwhile, the number of drilled but uncompleted wells (DUCs) increased by 218 over December to total a record 8,594.

US crude oil inventories: The API is scheduled to release its weekly oil inventory report later today, which will be followed by the EIA's weekly report tomorrow. Market expectations heading into these releases are that US crude oil inventories decreased by around 500Mbbbls over the week, according to a Bloomberg survey. Fairly large builds are expected in products again, with gasoline inventories expected to have increased by around 3MMbbbls over the last week, whilst distillate fuel oil inventories are expected to increase by around 1.1MMbbbls. Numbers similar to these could be seen as fairly bearish for the market, given the marginal draw in crude oil, but yet again large product builds- particularly in gasoline.

Metals

Copper smelter restarts delayed: The restart of Codelco's smelters at the Chuquicamata and Salvador mines will be delayed until March- a month later than originally expected. Codelco stopped operations at the smelters in late 2018 in order to carry out upgrades so that the smelters comply with new environmental regulations. Codelco has said that it has increased concentrate shipments during the smelter outages. However, the extended outage could see a tightening in the refined market. Already LME inventories are near decade lows, although when looking at the LME copper cash/3month spread, the deep contango suggests the market is not too concerned about tightness in the prompt market. Earlier this month, Codelco said that smelter closures could result in a production loss of 218kt; now with delays, this loss looks as though it will be even larger.

Zinc cancelled warrants: Cancelled warrants of LME zinc stocks increased by more than 100% yesterday, rising from 18,025 tonnes to 39,100 tonnes with now nearly all inventories sitting in European warehouses earmarked for withdrawal. LME zinc on warrant stocks have fallen to more than a year low of 79,725 tonnes. This has helped to see somewhat of a recovery in the LME zinc cash/3 month spread, which has traded back up to a US\$12.50/t backwardation, from just US\$1/t mid-month.

Agriculture

US grain export inspections: Latest data from the USDA shows that 1.11mt of soybeans were inspected for export over the last week, this compares to 1.09mt in the previous week, and 1.42mt in the same week last year. Cumulative inspections for the current marketing year stand at 19.51mt, down 40% year-on-year. However we are seeing increased volumes coming through for China, with a total of 416kt inspected over the week- making up 37% of total US soybean export inspections for the week. As trade talks between China and the US appear to continue to move in the right direction, we could see increased volumes of US grains making their way to China.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	61.5	-1.98	14.31	Comex Silver (US\$/oz)	15.3	N/A	-1.38
NYMEX WTI (US\$/bbl)	52.57	N/A	15.77	LME Copper (US\$/t)	5,935	-0.77	-0.50
ICE Gasoil (US\$/t)	565	-1.57	10.67	LME Aluminium (US\$/t)	1,883	1.67	2.00
NYMEX HO (Usc/g)	190	N/A	13.11	LME Zinc (US\$/t)	2,576	-0.46	4.42
Eurobob (US\$/t)	489	N/A	1.95	LME Nickel (US\$/t)	11,585	-1.82	8.37
NYMEX RBOB (Usc/g)	140	N/A	5.88				
NYMEX NG (US\$/mmbtu)	3.04	N/A	3.40	CBOT Corn (Usc/bu)	379	N/A	1.07
				CBOT Wheat (Usc/bu)	521	N/A	3.58
API2 Coal (US\$/t)	84	0.60	-2.96	CBOT Soybeans (Usc/bu)	909	N/A	3.03
NYMEX Coking Coal (US\$/t)	195	N/A	-14.44	ICE No.11 Sugar (Usc/lb)	12.93	N/A	7.48
				ICE Arabica (Usc/lb)	103	N/A	1.47
				ICE London Cocoa (GBP/t)	1,633	-2.10	-7.53

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>.