

The Commodities Feed: US stimulus hopes support the complex

Your daily roundup of commodity news and ING views



Energy

Having rallied yesterday, on growing hopes for a US stimulus deal, oil has come under a bit of pressure once again in Asian morning trading. Numbers from the API overnight showed that US crude oil inventories increased by 584Mbbbls over the last week. This is a bit of a surprise given that we would have still seen some offshore US Gulf of Mexico production shut in over the period as a result of Hurricane Delta. The more widely followed EIA data will be out later today, and the market is still expecting this to show a drawdown in crude oil inventories over the last week. The more positive number from the API was the change in distillate fuel oil inventories, which fell by 5.98MMbbbls over the last week. While this may be just playing catch-up with the big draw the EIA reported last week, if we were to see further sizeable draws in distillates, it would offer some much needed relief to the middle distillates market, with the lack of jet fuel demand still weighing on middle of the barrel products.

Meanwhile, following the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting on Monday, there has been increased noise around what OPEC+ may do when it comes to output cuts over 2021. According to Reuters, the Russian energy minister yesterday said that it is too early to decide on oil production for next year, given the uncertainties the market is facing at the moment.

This is obviously not helped by the resurgence in Covid-19 cases that we have seen more recently. At the moment, OPEC+ are set to ease production cuts from 7.7MMbbls/d to 5.8MMbbls/d on 1 January. However given the uncertainty over the demand outlook, it is difficult to know if the market will be able to absorb this additional supply. Any decision to scrap the easing in cuts will likely be made at the OPEC+ meetings on the 30 November and 1 December.

Metals

Base metals, with the exception of aluminium continued their upward rally yesterday, with LME copper surpassing the US\$6,900/t mark for the first time since June 2018, with growing optimism over a US stimulus agreement.

The International Copper and Study Group (ICSG) expects global copper mine production to decline by about 1.5% in 2020, for a second consecutive year, predominantly due to Covid-19 related disruptions, especially in Peru. However, the group expects mine output to recover by 4.5% in 2021, with the help of supply increases from recently commissioned mines and expansions, along with obviously rising output from the constrained levels seen this year. Global refined copper output is expected to increase by 1.5% in 2020 and next year as well, whilst global consumption is expected to remain unchanged in 2020 and grow by 1.1% next year. The group anticipates the global copper market to encounter a supply deficit of 50kt for the current year, and forecasts a surplus of 70kt for 2021. In the secondary market, China Solid Waste and Chemicals Management Bureau issued the thirteenth batch of scrap import quotas for 2020 on Friday; a total of 5.98kt of copper scrap will be allowed to enter China. The latest agreed scrap import quota is much lower than the previous quota of 136.34kt of copper scrap. YTD total scrap quota allowances now stand at 885kt.

Looking at aluminium, LME data shows that exchange inventories jumped by 14.95kt (highest daily addition since end-July) to 1.42mt yesterday, the majority of the inflows were seen in Asia.

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 www.ing.com.