

# The Commodities Feed: USD supports the complex

Your daily roundup of commodity news and ING views



## Energy

ICE Brent managed to settle above US\$61/bbl, despite looking at one stage as though the rally was running out of steam. USD weakness provided a helping hand to oil and the broader commodities complex. WTI has edged higher in early morning trading in Asia today, with the API reporting that US crude oil inventories declined by 3.5MMbbls, whilst stocks at the WTI delivery hub, Cushing, fell by 1.38MMbbls. In the lead up to the report, the market was expecting US crude oil inventories to decline by a more modest 800Mbbls, according to a Bloomberg survey. On the products side, the API reported that US crude oil inventories grew by 4.81MMbbls, and this is likely to put further pressure on the RBOB crack, which has weakened for much of February.

The prompt ICE Brent time spread has continued to strengthen, and it is now a backwardation of US\$0.38/bbl. While this suggests that the market continues to tighten, in the physical market we have actually seen some weakness this week, at least in the North Sea. A number of physical cargoes have been on offer in the North Sea market, which has weighed on differentials. This is in contrast to the tightness that had been seen in this market just earlier this month.

The EIA will release their weekly inventory numbers later today, and a reading similar to the one

reported by the API would likely continue to provide support to the market. Tomorrow we have both the IEA and OPEC releasing their monthly oil market reports, and the market will be watching closely on how both see the oil balance developing in the months ahead, particularly after the latest run up in prices.

## Metals

Weakness in the USD index, along with rising breakeven inflation saw the metals complex continue to rally. The most liquid contract for platinum on Nymex surged higher, breaking its previous peak seen back in 2016. Futures prices touched US\$1,206/oz during London hours, which sees prices up more than 10% YTD, and leaves the metal outperforming gold and silver, although it's still lagging rhodium within the PGM group. Disruptions to supply have outweighed demand declines since last year for platinum, and this is set to continue through this year. Tighter vehicle emission standards still point towards a bright outlook for catalyst demand, along with an expected recovery in the global automotive market. There is the risk that the deficit grows further, should demand (industrial and investment) turn out to be stronger, while platinum supply is relatively inelastic.

## Agriculture

CBOT corn made a fresh recent high of US\$5.7/bu yesterday ahead of the USDA WASDE report; although gave up the gains following the report, with USDA revisions still falling somewhat short of market expectations. The USDA revised down its US corn ending stocks estimate by around 50mn bushels on the back of higher exports, mainly to China. However, the market was expecting a downward revision of closer to 170m bushels. For soybeans, the USDA's estimates were largely in line with expectations, with ending stocks revised down by around 20mn bushels due to stronger exports.

Meanwhile, for global balances, the USDA revised higher its corn ending stocks estimate by 2.7mt and now expects the 2020/21 season to end with 286.5mt of stocks, mainly due to slower demand in Europe. The agency estimates European corn demand to drop to 77mt this year (down around 5% YoY), compared to its earlier estimate of 79.5mt. For soybeans, the report was fairly neutral, with ending stocks revised down by around 1mt, as a result of a downward revision to beginning stocks.

## 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>.