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.

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