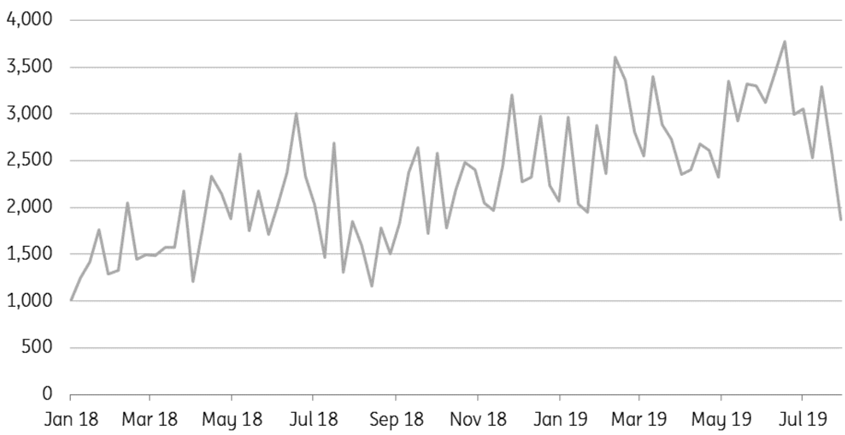
The Commodities Feed: Waiting on the Saudis to act

Your daily roundup of commodity news and ING views

US weekly crude oil exports fall (Mbbls/d)



Source: EIA, Bloomberg, ING Research

Energy

Market pressure & the Saudis: The downward pressure in the oil market only continued yesterday, with demand concerns continuing to grow, whilst the EIA reported a surprise build in US crude oil inventories, which certainly did not help matters. ICE Brent has fallen by as much as 14% since the start of the month, and this weakness has not gone unnoticed by the Saudis.

Media reports started to circulate last night that the Saudis are discussing options to stop the fall in oil prices. There has been no mention about what action could be taken, but it's hard to see what else other than more cuts. A starting point would be to ensure that all members of the current output cut deal are at least in compliance- members such as Iraq and Nigeria. Then if needed, look at the possibility of deeper cuts, although individual compliance will likely still be an issue. The news that the Saudis are looking at options has seen the oil market trade higher this morning.

US crude oil inventories: A key player in yesterday's price weakness was the surprise build in US crude oil inventories that the EIA reported. Crude oil inventories increased by 2.39MMbbls over the last week, compared to expectations of a 2.7MMbbls draw. The key behind this build was trade, crude oil imports over the week increased by 485Mbbls/d to average 7.15MMbbls/d. However crude oil exports were key, falling by 709Mbbls/d over the week to 1.87MMbbls/d- which is the lowest weekly number seen since October 2018. This fall in exports has coincided with a narrowing in the WTI/Brent spread, which was less than a US$6/bbl discount at the end of last week, and is now trading nearer US$5/bbl discount- suggesting that the next report could show another week of poor exports.

Refinery utilisation increased by 3.4 percentage points over the week to average 96.4%- the highest level seen this year. This strong throughput meant that we also saw builds on the product side, with gasoline and distillate inventories increasing by 4.48MMbbls and 1.53MMbbls, respectively.

Metals

Nickel surge: LME nickel prices rallied more than 10% this morning, although they've given back some of these gains and were up a little over 5% at US$15,570/t at the time of writing. The move higher is being pinned to continued speculation that Indonesia may bring forward an export ban on nickel ore. Trading volume and open interest in nickel forward contracts have increased substantially, as traders build long positions ahead of the speculated regulatory move. However Indonesia has not made any official announcement on the export ban so far, which for now is scheduled to be implemented from January 2022. Until policy becomes clearer, we expect LME nickel to remain volatile. The SHFE nickel active contract is also trading up with a gain of around 6% in the morning session.

China metals trade: Monthly data from China Customs shows that iron ore imports into the country increased 21% MoM (+1.1% YoY) to 91mt in July, as shipments from Brazil and Australia recovered. However, year-to-date imports are still down 4.9% year-on-year to total 590mt due to reduced flows over 2Q19. Unwrought copper imports dropped 7.1% YoY to 420kt, taking YTD imports to 2.7mt- down 11.7% YoY; whilst copper concentrate imports increased 10.8% YoY to total 12.6mt over the first seven months of 2019 mainly on the back of increased domestic smelting capacity. On exports, aluminium shipments fell 6.3% YoY to 487kt in July, taking YTD exports to 3.5mt- up 7.4% YoY.

Alumina prices: Seaborne alumina prices dropped further to US$300/t yesterday- levels not seen since June 2017. Meanwhile YTD, prices are down around 24%. The core price driver has been the return of the Alunorte plant in Brazil, which combined with new refining capacity in the UAE, helped fill the supply gap in the global market. Given that LME aluminium prices have been trading relatively flat, this has helped the alumina-to-aluminium price ratio drop to 17% compared to 22% at the end of 2018.

Agriculture

EU crop monitoring: In an update on crop monitoring, the European Commission says that the intense heat wave and drought-like situation continues in large parts of Europe, and that it will have a negative impact on current crop progress. The Commission expects that yield for summer crops including corn and sugar beet could be revised down further when it releases its monthly MARS report later in the month. Next week, USDA is also expected to release a fairly constructive WASDE report with adverse weather impacting US crops.

Daily price update

	Current	% DoD ch	%YTD ch
ICE Brent (US$/bbl)	**56.23**	-4.60	4.52
NYMEX WTI (US$/bbl)	**51.09**	-4.74	12.51
ICE Gasoil (US$/t)	**534**	-4.56	4.50
NYMEX HO (Usc/g)	**175**	-3.88	4.31
Eurobob (US$/t)	**575**	-3.38	19.99
NYMEX RBOB (Usc/g)	**162**	-3.97	22.41
NYMEX NG (US$/mmbtu)	**2.08**	-1.33	-29.15
TTF Natural Gas (EUR/MWh)	**11.41**	4.20	-48.08
API2 Coal (US$/t)	**59**	0.00	-31.27
Newcastle Coal (US$/t)	**71**	-0.35	-30.23
SGX TSI Coking Coal (US$/t)	**156**	-0.10	-26.41
SGX Iron Ore 62% (US$/t)	**89.09**	-4.43	28.24

	Current	% DoD ch	%YTD ch
Spot Gold (US$/oz)	**1,501.2**	1.81	17.05
Spot Silver (US$/oz)	**17.1**	4.01	10.40
LME Copper (US$/t)	**5,705**	0.39	-4.36
LME Aluminium (US$/t)	**1,745**	-0.80	-5.47
LME Zinc (US$/t)	**2,261**	-2.12	-8.35
LME Nickel (US$/t)	**14,810**	-0.90	38.54
CBOT Corn (Usc/bu)	**407**	0.62	8.40
CBOT Wheat (Usc/bu)	**488**	0.88	-2.98
CBOT Soybeans (Usc/bu)	**849**	0.12	-3.82
ICE No.11 Sugar (Usc/lb)	**11.34**	-3.32	-5.74
ICE Arabica (USc/lb)	**97**	-0.15	-4.86
ICE London Cocoa (GBP/t)	**1,738**	-1.36	-1.59

Source: Bloomberg, ING Research

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