

The Commodities Feed: Market gyrations

Your daily roundup of commodity news and ING views



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Energy

Crude oil traded range-bound yesterday as the market awaits developments on the Iranian nuclear talks currently going on in Vienna. The potential for a return of Iranian oil supply into the market has been keeping oil prices from gaining further. On the positive side, physical demand has been improving in both Europe and the US as a slowdown in new Covid cases has been pushing up mobility. The start of the summer driving season in the US from next week onwards could further support crude oil demand in the country. In Asia, India has also reported a marked slowdown in new cases over the past few weeks which could help ease some of the mobility restrictions next month.

Meanwhile, the API reported yesterday that US crude oil inventory dropped by 439Mbbbls over the last week compared to market expectations of a fall of around 900Mbbbls. The institute also reported that gasoline and middle distillate stocks declined by 1.99MMbbbls and 5.14MMbbbls respectively, reflecting healthy demand for oil products in the domestic market. The official EIA data will be out later today.

Metals

Metals remained a mixed bag as traders reacted to Chinese rhetoric on clamping down on speculation on certain commodities trading. Gold continued to grind higher, approaching US\$1,900/oz underpinned by a weaker US dollar and Treasury yields in real terms.

Meanwhile, in mine supply, BHP said it had reached a wage deal with supervisors at Cerro Colorado on Monday whilst a labour union at BHP's Escondida and Spence mine might opt for a strike as mediation talks failed yesterday. However, the government-backed mediation talks can be extended for five more days if both parties agree. Escondida produced 1.2mt of copper whilst Spence produced 146.7kt in 2020.

In aluminium, as per the latest update, Japanese aluminium buyers were offered premiums that are as much as 35% higher for 3Q21 when compared to current levels. At least three buyers received offers of a premium of US\$185/t whilst one buyer also got an offer of US\$200/t for the next quarter. If agreed, then the premiums would be the highest since 2015.

Agriculture

CBOT corn prompt month contract fell 5.6% yesterday to settle at US\$6.2/bu on the brisk pace of planting in the US and better than expected production outlook. CBOT soybean and wheat also traded soft yesterday, though the losses were smaller, at around 0.7% and 0.9% respectively.

The European Commission released its monthly crop monitoring report yesterday, with improved estimates of wheat production. The EC has increased wheat yield estimates to 5.7t/ha for the 2021 season compared to an estimate of 5.64t/ha made last month; the yield in 2021 is estimated to be significantly higher than the 5-yr average of 5.47t/ha and last year's 5.5t/ha. Colder-than-usual weather in a large part of Europe over the last month countered the rain deficit as water requirement for crop development dropped. For corn, the commission left estimates unchanged at 7.81t/ha, with sowing activity nearly complete. For sugar beet, the European Commission revised down yield estimates from 75.6t/ha to 75.5t/ha; though it remains comfortably higher than the 5-yr average of 74.2t/ha.

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