

# The Commodities Feed: WTI/Brent pressure

Your daily roundup of commodity news and ING views



## WTI/Brent discount widens (US\$/bbl)



Source: Bloomberg, ING Research

## Energy

**WTI/Brent discount:** The WTI/Brent spread has come under renewed pressure in recent days, reaching a discount of US\$10.95/bbl- the lowest level seen in almost a year. In the US,

unusual crude oil builds, as a result of low refinery runs, have put pressure on WTI while Brent has been well supported by Russian oil contamination, coupled with some planned outages in the North Sea. The US market is clearly well supplied whilst time spreads suggest that Brent is tight and therefore we are seeing the WTI/Brent discount widen in order to pull out further crude oil from the US. Based on weekly EIA data, US crude oil exports have averaged 2.7MMbbls/d so far this year compared to 1.67MMbbls/d over the same period last year.

**Speculative positioning:** Latest data shows that speculators reduced their net long in ICE Brent over the last reporting week by 3,696 lots to leave them with a net long of 393,615 lots as of last Tuesday. Given the price weakness since then, however, this net long is likely to be somewhat lower currently. Meanwhile, there was further liquidating in NYMEX WTI, with speculators selling 22,579 lots, leaving them with a net long of 236,409 lots as of last Tuesday. This change was almost exclusively driven by longs liquidating, rather than fresh shorts.

## Metals

**Global steel output:** Latest data from the World Steel Association shows that global crude steel production increased 6.4% year-on-year to 156.7mt in April. Chinese crude steel output was up 12.7% YoY to total 85mt, while output from the rest of the world was largely flat at 71.7mt. Cumulatively, global crude steel output is up 5% YoY to total 600mt over the first four months of 2019, with most of this increase coming from China. Increased Chinese output has been largely a result of improved margins, with a strong domestic steel market. Most indicators point towards a strong property market in a number of Chinese cities, while newly started floor space continues to grow YoY.

## Agriculture

**EU sugar trade:** Latest trade statistics continue to show that the EU sugar market is tightening. Cumulative exports of sugar so far for the season starting 1 October total 1.18mt, which is down significantly from the 2.43mt exported over the same period last season. Imports have also edged higher, with cumulative imports totalling 1.15mt compared to just 897kt at the same stage last season. Looking ahead to the 2019/20 season, EU sugar output is likely not to be too dissimilar to production in the current season, with lower planted area offset by expectations of better yields this year.

**Corn speculative positioning:** Latest CFTC data shows that there was a significant amount of short covering in CBOT corn over the last reporting week, with speculators buying back 166,189 lots to leave them with a net short of 116,729 lots. This has seen corn prices rally more than 20% since early May, and prices are now trading around US\$4.14/bu. The catalyst for this move has been the slow planting progress of corn in the US Midwest, as a result of heavy rains. The USDA is set to release its latest planting progress report today, and so we could see further volatility in corn prices following the release.

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