

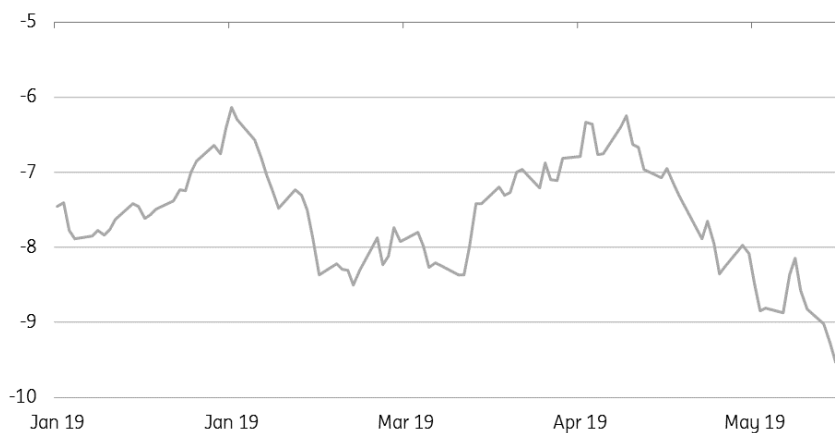
The Commodities Feed: WTI/Brent spread pressure

Your daily roundup of commodity news and ING views



Source: Shutterstock

July WTI/Brent Spread (US\$/bbl)



Source: Bloomberg, ING Research

Energy

US weekly inventories: The EIA reported yesterday that US crude oil inventories increased by 5.43MMbbls over the last week, which very different from the 1.2MMbbls draw the market was expecting, but less than the 8.63MMbbls build the API reported the previous day. This large build came despite the fact that refiners increased their utilisation rates by 1.6 percentage points over the week to 90.5%- the highest utilisation rate seen since early February. Despite increased refinery activity, gasoline inventories declined by 1.12MMbbls over the week, compared to expectations of a small build. Crude oil imports increased by 919Mbbls/d over the week to average 7.61MMbbls/d.

Crude oil inventories in Cushing increased by 1.8MMbbls over the week to total 47.8MMbbls- which is the largest stocks have been at the WTI delivery hub since December 2017. This crude build has weighed on the WTI/Brent spread, which is trading at more than a US\$9.50/bbl discount. We expect this spread to remain under pressure.

IEA demand forecasts: In its monthly oil market report, the IEA revised lower its demand growth forecast for 2019 by 90Mbbls/d to 1.3MMbbls/d. This reduction was concentrated in 1Q, with demand growth lowered by 410Mbbls/d for the quarter. Weaker than expected demand was seen in Brazil, China, Japan, Korea and Nigeria. However the IEA does believe that demand will pick up as we move through the remainder of the year.

Moving away from demand forecasts, and to Middle East tensions, the Saudis reported that the East-West Pipeline in the country has restarted operations following a drone attack.

Metals

China alumina closures & Alunorte: A number of alumina refineries in Shanxi province in China have suspended operations amid environmental inspections. The outages have seen alumina prices in the region rally by 14% since mid-April to reach levels last seen back in December. A tightening in the domestic market does mean that we are likely to see China remain a net importer of alumina in the near term. Over 2018, China turned to a net exporter of alumina as a result of the strength in international prices.

Sticking with the alumina market, and the Federal Court in Belem Brazil lifted a production embargo on the Alunorte refinery yesterday under a civil lawsuit. However production will remain at 50% of capacity, as the refinery is still subject to an embargo by the court for a criminal lawsuit.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	71.77	2.19	33.40	Comex Silver (US\$/oz)	14.8	0.27	-5.07
NYMEX WTI (US\$/bbl)	62.02	1.61	36.58	LME Copper (US\$/t)	6,085	1.23	2.01
ICE Gasoil (US\$/t)	651	1.76	27.36	LME Aluminium (US\$/t)	1,855	2.54	0.49
NYMEX HO (Usc/g)	209	2.35	24.13	LME Zinc (US\$/t)	2,626	2.30	6.45
Eurobob (US\$/t)	699	1.60	45.77	LME Nickel (US\$/t)	12,149	3.08	13.65
NYMEX RBOB (Usc/g)	201	2.50	52.05				
NYMEX NG (US\$/mmbtu)	2.60	-0.76	-11.53	CBOT Corn (Usc/bu)	370	6.33	-1.47
				CBOT Wheat (Usc/bu)	449	4.06	-10.83
API2 Coal (US\$/t)	63	1.45	-26.68	CBOT Soybeans (Usc/bu)	836	5.63	-5.33
NYMEX Coking Coal (US\$/t)	209	0.00	-8.28	ICE No.11 Sugar (Usc/lb)	11.85	0.08	-1.50
				ICE Arabica (Usc/lb)	90	1.87	-11.73
				ICE London Cocoa (GBP/t)	1,727	-6.90	-2.21

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

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 www.ing.com.