

The Commodities Feed: WTI pressure

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

Oil came under renewed pressure yesterday, with NYMEX WTI leading the way lower, settling almost 8% down on the day. This pressure came as Genscape reported a 5.8MMbbls increase in crude oil inventories at Cushing, the WTI delivery hub. The large crude oil builds should not come as too much of a surprise, with refineries responding to weaker products demand by reducing run rates. Later today, the API will release its inventory numbers for the US, and expectations are that total US crude oil inventories increased by around 9MMbbls over the last week, according to a Bloomberg survey.

Meanwhile the EIA today will also release its latest Short Term Energy Outlook, and all eyes will be on what further revisions they make lower to US crude oil output as a result of the weak price environment and the further slowdown in drilling activity. Last month, the EIA forecast that 2020 US output would grow by 770Mbbbls/d, and then shrink by 340Mbbbls/d in 2021, and there is clearly further downside in the months ahead. Much will also depend on what role the US plays in any potential production cuts. For now, the OPEC+ deal is still scheduled for the 9th April, while there are suggestions that this could be followed up by a G20 meeting the next day.

Metals

Industrial metals settled mostly up on the day, with the exception of aluminium. Markets seem to be buoyed by supply disruptions, along with signs that the growth in Covid-19 cases appears to be flattening in some of the hardest-hit regions. The Covid-19 shock to physical demand is still unfolding and the full impact will likely be more evident in future economic data releases. We think that the recent rally could be short-lived, although volatility in these uncertain times is likely to linger.

Meanwhile, Chilean miner, Antofagasta said yesterday that it would suspend the expansion project of its Los Pelambres mine for an estimated four months. While the market has been tracking supply responses and gauging the size of the impacts, any disruption seems likely to be temporary, given the fact that nations are inclined to try to minimise the damage to economic activity. As for nickel, the Philippines' largest nickel ore miner and exporter, Nickel Asia Corp, confirmed that operations would resume at its two units in Surigao del Norte – Taganito and Hinatuan, with approval from the local government. The mining operation in Surigao del Norte was suspended just a week ago to contain Covid-19.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	33.05	-3.11	-49.92	Spot Gold (US\$/oz)	1,661.0	2.48	9.47
NYMEX WTI (US\$/bbl)	26.08	-7.97	-57.29	Spot Silver (US\$/oz)	15.0	4.28	-15.96
ICE Gasoil (US\$/t)	294	-1.09	-52.16	LME Copper (US\$/t)	4,884	0.92	-20.89
NYMEX HO (Usc/g)	105	-2.33	-48.44	LME Aluminium (US\$/t)	1,472	-0.64	-18.67
Eurobob (US\$/t)	196	0.33	-66.03	LME Zinc (US\$/t)	1,905	1.20	-16.18
NYMEX RBOB (Usc/g)	70	1.45	-58.68	LME Nickel (US\$/t)	11,289	0.44	-19.51
NYMEX NG (US\$/mmbtu)	1.73	6.79	-20.92				
TTF Natural Gas (EUR/MWh)	7.29	5.27	-39.53	CBOT Corn (Usc/bu)	328	-0.91	-15.47
				CBOT Wheat (Usc/bu)	556	1.18	-0.54
API2 Coal (US\$/t)	48	0.84	-15.19	CBOT Soybeans (Usc/bu)	856	0.15	-9.28
Newcastle Coal (US\$/t)	62	-0.64	-10.07	ICE No.11 Sugar (Usc/lb)	10.45	1.36	-22.13
SGX TSI Coking Coal (US\$/t)	129	-0.14	-8.81	ICE Arabica (Usc/lb)	117	1.52	-10.06
SGX Iron Ore 62% (US\$/t)	79.87	0.31	-12.54	ICE London Cocoa (GBP/t)	1,896	4.35	4.23

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 <http://www.ing.com>.