

The Commodities Feed: WTI pressure

Your daily roundup of commodity news and ING views



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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

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