

# The Commodities Feed: WTI relative strength

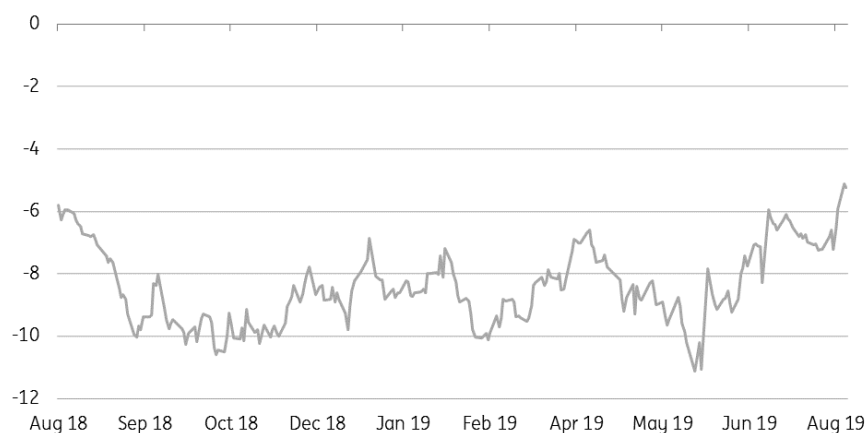
Your daily roundup of commodity news and ING views



Oil prices have sold off aggressively

Source: Shutterstock

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



Source: Bloomberg, ING Research

## Energy

**WTI/Brent spread:** The WTI/Brent spread continues to narrow and currently trades at around a discount of US\$5.30/bbl- this compares to a little over a US\$7/bbl discount at the end of July, and a recent low of more than a US\$11/bbl discount back at the end of May. The relative strength of WTI to Brent does suggest that US oil exports could come under pressure moving forward. The WTI Houston-Cushing differential fell by US\$0.50/bbl to US\$3.50/bbl- levels last seen in August last year. The relative strength of the US domestic market appears to reflect the larger drawdowns that we have seen in stock in recent weeks. The US has seen seven consecutive weeks of stock draws, and in fact inventories have fallen by almost 49MMbbls since early June. Meanwhile, Cushing inventories are once again back below 50MMbbls, and at levels last seen in early May.

WTI time spreads also suggest a healthier US market, with the prompt WTI spread swinging into a backwardation of US\$0.13/bbl, from a discount of US\$0.05/bbl at the end of July.

Finally, today the API is scheduled to release its weekly inventory report, and market expectations are that US crude oil inventories fell by 3MMbbls, according to a Bloomberg survey. Meanwhile, draws of around 1.5MMbbls and 350Mbbls are expected in gasoline and distillate fuel oil, respectively.

## Metals

**Nickel strength:** Amid the ongoing weakness in the metals complex, nickel has been the outperformer due to uncertainty over Indonesian supplies. LME nickel increased to a fresh one-year high of US\$14,880/t yesterday, with aggregate open interest surging to a record high of around 288k lots. In China, SHFE nickel at CNY118,130/t is only marginally away from the five-year high of CNY118,460/t made in June 2018. While Indonesia has plans to ban the export of nickel ore from January 2022; there is growing market speculation that the ban could be brought forward to push miners to invest more in the downstream sector.

**China copper premiums:** Premiums for physical copper in China have increased by around 10% since the start of the month as weaker imports and a decline in bonded warehouse inventories supported local prices in the immediate term. The current Yangshan copper premium stands at US\$66.5/t currently- its highest level in nearly six months. However, the demand outlook for copper remains uncertain due to the escalating trade war.

## Agriculture

**US crop progress:** The USDA's latest weekly progress report showed a further deterioration in the current condition for the US corn crop. The USDA rated 57% of the current corn crop to be in good to excellent condition, compared to 58% a week ago, and 71% at the same stage last year, as the prevailing dry weather has not been very helpful for crop growth. Corn silking improved from 58% to 78% week-on-week, however it remains below the five-year average of 93% for this time of the year. Meanwhile, the USDA rated 54% of the soybean crop to be in good-to-excellent condition, flat WoW but down from 67% a year ago.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	59.81	-3.36	11.17	Spot Gold (US\$/oz)	1,463.7	1.59	14.13
NYMEX WTI (US\$/bbl)	54.69	-1.74	20.44	Spot Silver (US\$/oz)	16.4	1.18	5.82
ICE Gasoil (US\$/t)	565	-2.29	10.57	LME Copper (US\$/t)	5,685	-0.78	-4.69
NYMEX HO (Usc/g)	184	-2.89	9.21	LME Aluminium (US\$/t)	1,763	-0.40	-4.50
Eurobob (US\$/t)	602	-3.07	25.59	LME Zinc (US\$/t)	2,311	-1.66	-6.32
NYMEX RBOB (Usc/g)	172	-3.56	29.79	LME Nickel (US\$/t)	14,880	2.98	39.20
NYMEX NG (US\$/mmbtu)	2.07	-2.40	-29.59				
TTF Natural Gas (EUR/MWh)	11.47	-4.56	-47.84	CBOT Corn (Usc/bu)	405	1.44	8.07
				CBOT Wheat (Usc/bu)	495	0.76	-1.74
API2 Coal (US\$/t)	63	-2.02	-25.38	CBOT Soybeans (Usc/bu)	850	0.00	-3.65
Newcastle Coal (US\$/t)	72	-0.62	-28.75	ICE No.11 Sugar (Usc/lb)	11.82	-1.66	-1.75
SGX TSI Coking Coal (US\$/t)	157	-0.64	-25.86	ICE Arabica (Usc/lb)	96	-2.55	-6.09
SGX Iron Ore 62% (US\$/t)	95.78	-7.15	37.87	ICE London Cocoa (GBP/t)	1,791	-1.70	1.42

Source: Bloomberg, ING Research

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