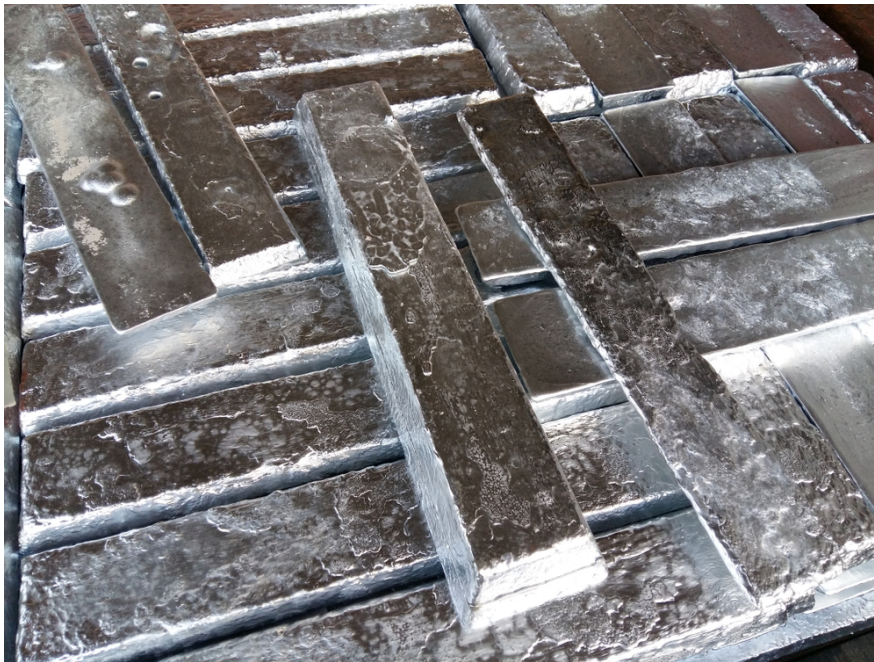


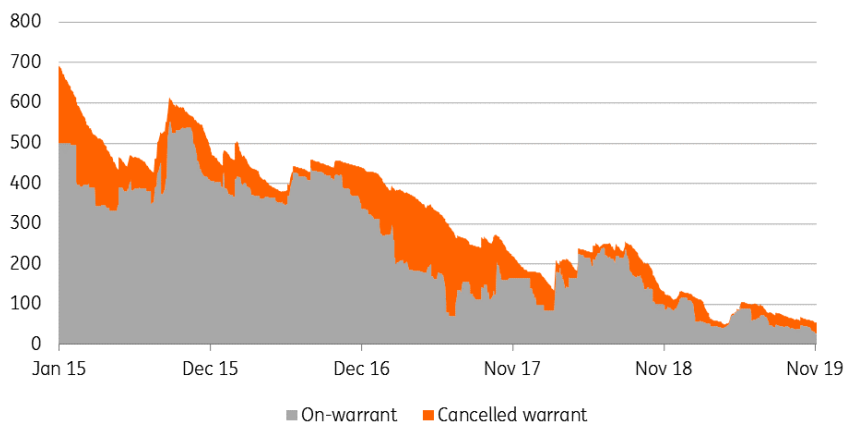
The Commodities Feed: Zinc inventories decline

Your daily roundup of commodity news and ING views



Source: Shutterstock

LME zinc stocks (k tonnes)



Source: Bloomberg, ING Research

Energy

Oil strength: ICE Brent rallied to a high of US\$62.78/bbl, before settling at US\$62.13/bbl. There was little in the way of fundamental drivers pushing the market higher, instead it was signs of progress in trade talks between China and the US which provided the boost, with both parties appearing to move closer towards signing phase one of a trade deal sometime this month. This optimism also followed the better than expected US jobs numbers on Friday. We believe that the strength in oil prices will be short-lived, given the scale of the surplus that is expected over the 1H20. The risk to this view is if OPEC+ surprises the market in December by announcing even deeper than expected cuts for 2020.

Looking ahead, all eyes will be on API numbers later today, market expectations are that US crude oil inventories increased by 2MMbbls over the last week, according to a Bloomberg survey.

Metals

Zinc spreads tighten: The LME zinc cash-3M spread tightened to US\$62/t backwardation currently, levels not seen since July, with LME stockpiles suggesting a tightening market. LME zinc inventories have fallen by around 11kt over the past month, with current inventories falling to 53.9kt, just marginally above the five-year low of 50.4kt seen in April. Nearly half of the current stocks are earmarked for withdrawal, with on-warrant stocks of zinc falling to an all-time low of just 27.8kt. Lower LME inventories, coupled with optimism around US/China trade talks, have pushed LME zinc prices up by around 10% over the past month. Earlier, ILZSG data showed that the global zinc market was in a deficit of 119kt over the first eight months of 2019, with the full-year deficit likely to be around 178kt.

World gold balance: The latest numbers from the World Gold Council show that the global gold market was in a surplus of 95.4 tonnes in 3Q19 as higher prices weighed on physical gold demand. Gold fabrication demand declined 17% year-on-year to 562t, while retail investment demand (bar and coin) fell 50% YoY to 150t. Unsurprisingly, given the growing uncertainty in the global economy, ETFs were the major supporting factor for gold demand over the quarter. However ETF inflows do appear to have been plateauing over the past few weeks, and so may not be as supportive for gold demand over 4Q19, especially if we do see progress in trade talks.

Higher prices have also supported supply, with secondary gold supply increasing 10% YoY to a three-year high of 354t over the quarter.

Agriculture

US export inspections: The USDA's latest weekly export inspection report shows that inspections for soybean exports from the US remain strong on the back of healthy buying from China. 1.48mt of soybeans were inspected for exports over the week ending 31 October, marginally down from 1.58mt inspected the week before but up 18.8% YoY. Year-to-date soybean export inspections are up 10.8% YoY to total 9.6mt. Phase one of a trade deal between the US and China could further support soybean shipments from the country. On the other hand, corn shipments remain soft, with export inspections down 29.5% month-on-month (down 78.5% YoY) at 276kt, while YTD export inspections are down 62.4% YoY to total 3.8mt.

Looking forward, the USDA is scheduled to release its monthly WASDE report on Friday, and expectations are that the USDA will revise lower US corn and soybean production estimates for

2019/20 from 13,779m bushels to 13,604m bushels and from 3,550m bushels to 3,513m bushels respectively, according to a Bloomberg survey.

Daily price update

| | Current | % DoD ch | %YTD ch | | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl) | 62.13 | 0.71 | 15.48 | Spot Gold (US\$/oz) | 1,509.8 | -0.30 | 17.73 |
| NYMEX WTI (US\$/bbl) | 56.54 | 0.60 | 24.51 | Spot Silver (US\$/oz) | 18.1 | -0.40 | 16.54 |
| ICE Gasoil (US\$/t) | 594 | 2.77 | 16.30 | LME Copper (US\$/t) | 5,877 | 0.46 | -1.48 |
| NYMEX HO (Usc/g) | 194 | 0.38 | 15.45 | LME Aluminium (US\$/t) | 1,815 | 1.62 | -1.68 |
| Eurobob (US\$/t) | 585 | 1.29 | 21.94 | LME Zinc (US\$/t) | 2,539 | 0.75 | 2.92 |
| NYMEX RBOB (Usc/g) | 166 | 0.48 | 25.69 | LME Nickel (US\$/t) | 16,380 | -2.35 | 53.23 |
| NYMEX NG (US\$/mmbtu) | 2.82 | 3.94 | -4.05 | | | | |
| TTF Natural Gas (EUR/MWh) | 16.48 | 1.86 | -25.04 | CBOT Corn (Usc/bu) | 383 | -1.54 | 2.20 |
| | | | | CBOT Wheat (Usc/bu) | 510 | -1.21 | 1.29 |
| API2 Coal (US\$/t) | 59 | -0.51 | -30.28 | CBOT Soybeans (Usc/bu) | 926 | 0.16 | 4.90 |
| Newcastle Coal (US\$/t) | 68 | 0.07 | -33.19 | ICE No.11 Sugar (Usc/lb) | 12.51 | 0.24 | 3.99 |
| SGX TSI Coking Coal (US\$/t) | 137 | -0.51 | -35.32 | ICE Arabica (Usc/lb) | 104 | -0.34 | 1.77 |
| SGX Iron Ore 62% (US\$/t) | 80.22 | -1.82 | 15.47 | ICE London Cocoa (GBP/t) | 1,908 | 0.53 | 8.04 |

Source: Bloomberg, ING Research

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