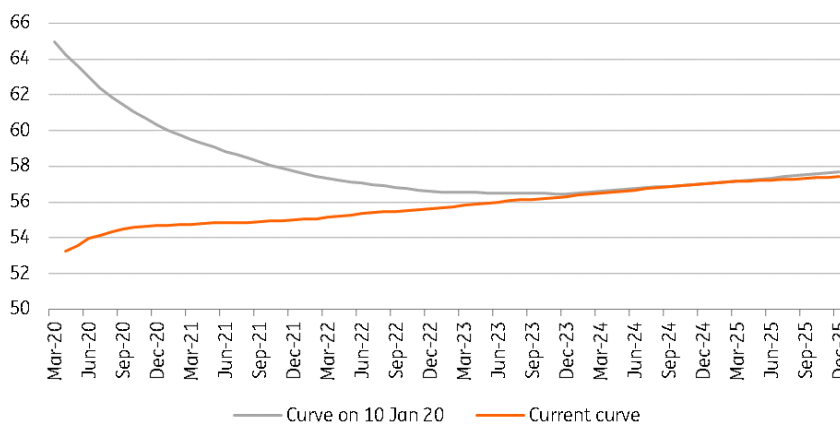


The Commodities Feed: Deeper contango

Your daily roundup of commodity news and ING views



ICE Brent forward curve flips into contango (US\$/bbl)



Source: Bloomberg, ING Research

Energy

The oil market came under further pressure yesterday, with ICE Brent settling 2.2% lower. The market clawed back some of these losses in early trading this morning. Pressure continues to come from demand uncertainty, whilst the lack of action from OPEC+ is certainly not helping. The OPEC+ Joint Technical Committee met last week, and made their recommendation to OPEC+ oil ministers. The group is awaiting a response from Russia on whether it would back deeper cuts and

extend the current deal through until the end of the year. Meanwhile the larger OPEC+ meeting is still scheduled for 5 and 6 March. This may concern many in the market as waiting too long to take action in the wake of the demand impact from the coronavirus.

The spot physical market certainly is loosening up, evident with the prompt ICE Brent spread trading in a contango of US\$0.30/bbl. The entire forward curve has also shifted into contango now. There are reports of increased interest in floating storage as Chinese refiners push for deferred deliveries due to the consumption hit we are seeing in the domestic market.

There are a number of releases this week which the market will be watching closely. Today the API releases US inventory numbers, and expectations are that US crude oil inventories increased by 3MMbbls over the week, according to a Bloomberg survey. This will be followed by the EIA's Short Term Energy Outlook, which will include forecasts for US production until the end of 2021. In last month's report the EIA forecast that US crude oil production would average 13.3MMbbls/d in 2020, up 1.06MMbbls/d YoY. 2021 production growth was set to slow to 410Mbbls/d, taking average production over the year to 13.71MMbbls/d.

Tomorrow OPEC will release its monthly oil market report, and the key numbers the market will be looking at are the demand figures, and what revisions OPEC have made due to the coronavirus. On Thursday the IEA will release their monthly report and, once again, demand estimates for 2020 will be looked at closely, together with what implications these demand estimates have on the global balance sheet.

Metals

The impact from nCov continues to weigh on metal markets after the World Health Organization made a 'tip of the iceberg' warning regarding the virus spreading. Factories and offices in China are slowly returning this week. Most downstream small-medium sized fabricators are reported to be having difficulty in restarting any time soon, with many having to play wait and see. Aluminium led LME markets lower yesterday, despite an over 13kt inventory drawdown. Chinese alumina refiners were reported to have cut capacity by 2% according to CNIA. The exact timing and scale of this pledged cut remains elusive so far. Prior to the outbreak of nCov there had already been reports that some would reduce their capacity due to low refinery margins. Alumina spot prices in the Chinese market (ex-work) have fallen by 18% so far in 2019.

Turning to copper, and after Nanguo Copper reportedly declared force majeure last week yesterday there were reports that Daye Nonferrous might have to delay concentrate shipments due to a number of issues they are facing. BHP is reported on Bloomberg to be in negotiations with its copper clients over shipment delay issues. Spot treatment charges for imported concentrate have risen to an eight-month high at US\$62.5, according to Bloomberg, almost aligned with the annual benchmark TC settle at US\$62 /t. The gains in spot TC had started around the end of last year, after one smelter reportedly filed for bankruptcy amid a tightening in margins, which freed up some concentrate supply. Spot TCs have now seen further strength, due to operating difficulties for smelters.

Finally, the surge in metal inventories has made some metals more vulnerable than others in the short term. [We briefly discussed zinc's case yesterday](#). The short term surge in stocks has put much pressure on the prompt curve. The question remains as to what extent would stock return to the LME reportable radar, with a reduced appetite from China in the near term.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	53.27	-2.20	-19.29	Spot Gold (US\$/oz)	1,572.2	0.11	3.62
NYMEX WTI (US\$/bbl)	49.57	-1.49	-18.82	Spot Silver (US\$/oz)	17.8	0.37	-0.48
ICE Gasoil (US\$/t)	493	-2.52	-19.79	LME Copper (US\$/t)	5,667	0.07	-8.21
NYMEX HO (Usc/g)	161	-1.87	-20.50	LME Aluminium (US\$/t)	1,702	-1.39	-5.97
Eurobob (US\$/t)	512	-1.21	-11.37	LME Zinc (US\$/t)	2,134	-0.51	-6.07
NYMEX RBOB (Usc/g)	152	-0.17	-10.40	LME Nickel (US\$/t)	12,885	0.90	-8.13
NYMEX NG (US\$/mmbtu)	1.77	-4.95	-19.32				
TTF Natural Gas (EUR/MWh)	8.64	-4.69	-28.28	CBOT Corn (Usc/bu)	382	-0.46	-1.55
				CBOT Wheat (Usc/bu)	552	-1.21	-1.21
API2 Coal (US\$/t)	48	-1.45	-12.12	CBOT Soybeans (Usc/bu)	884	0.26	-6.23
Newcastle Coal (US\$/t)	69	-2.00	-0.65	ICE No.11 Sugar (Usc/lb)	15.04	0.80	12.07
SGX TSI Coking Coal (US\$/t)	150	0.06	6.35	ICE Arabica (Usc/lb)	100	1.98	-22.67
SGX Iron Ore 62% (US\$/t)	79.81	-0.97	-12.60	ICE London Cocoa (GBP/t)	2,008	-0.20	10.39

Source: Bloomberg, ING Research

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