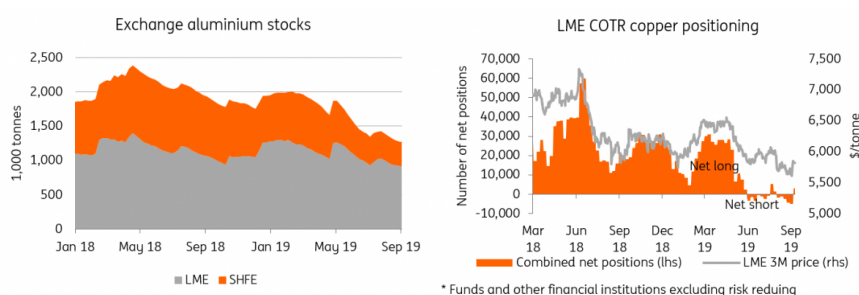


The Commodity Feed: Bearish sentiment abates

Your daily roundup of commodity news and ING views



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Energy

US oil – The weekly report from API shows that US crude oil inventories dropped by 7.23 MMbbls over the last week, significantly more than the 2.5MMbbls withdrawal the market was expecting, according to a Bloomberg survey. Further, the API report also showed that gasoline inventories were down by 4.5MMbbls last week. The API report is quite constructive for the oil market as it points to a tightening domestic oil market in the face of flat production and stronger

demand. The more widely followed EIA data is scheduled to be released today.

Meanwhile, in its STEO (Short-Term Energy Outlook) report yesterday, the EIA marginally lowered US crude oil production estimates from 12.27MMbbls/d to 12.24MMbbls/d for 2019 and from 13.26MMbbls/d to 13.23MMbbls/d for 2020. On the other hand, EIA increased its natural gas production outlook for 2019 from 91Bcf/d to 91.4Bcf/d and for 2020 it increased its estimates from 92.5Bcf/d to 93.2Bcf/d.

Metals

Bearish sentiment abates – Recent China easing and a new bout of trade optimism have buoyed investor sentiment across the industrial metals sector. According to the latest COTR reports, investment funds and other financial institutions have become less bearish on copper and aluminium. Their combined positions on copper have flipped into net longs, not seen since late July. At the same time, net longs have grown in zinc, lead and nickel. Beyond the macro factors, fundamentals are also playing a part in driving some divergence. Low exchange stocks for lead and zinc remain supportive to prices and the frontend spreads have tightened.

Aluminium inventory – LME aluminium inventory has dropped by 10kt in the month so far and nearly 112kt since the start of August 2019 as supply-side developments in China tightened the market. Similarly, SHFE aluminium stocks are down by around 10kt in the month so far and nearly 44kt since the end of July 2019. SMM reported that China's aluminium production dropped 3.5% month-on-month in August 2019 with output falling 1.9% year-on-year for the first eight months of the year. Lower domestic output and stronger SHFE prices have been weighing on Chinese aluminium exports. Moving forward, stronger aluminium prices may help output to recover for the rest of the year; however, some operational constraints such as China's 70th-anniversary celebration in October and winter capacity cuts, may continue to keep supplies tighter.

Copper premium – Codelco is reported to offer 2020 copper deliveries to its European buyers at a premium of US\$98/t over the LME prices, the same level as last year. Flat premiums reflect a balanced market outlook among producers, as demand concerns on the back of an economic slowdown and trade war escalation were offset by moderate supply growth due to lower prices and curtailed investments.

Agriculture

Brazil crop – Conab has revised higher its estimates for corn exports for the 2018/19 season to 35mt (+47% YoY) compared to its earlier estimates of 34.5mt on higher output (up 24% YoY to around 100mt) and strong demand for its corn. On the other hand, soybean export estimates were left unchanged at 70mt (down 16% YoY) due to stronger domestic demand. Soybean output estimates were revised marginally down from 115.1mt to 115mt.

Meanwhile, in its bi-monthly report, UNICA reported that sugar production in the Centre-South region of Brazil increased 5.5% YoY to 2.5mt in the second half of August with cane crushing increasing 9.9% YoY to 47.8mt. Millers continued to allocate more canes for ethanol production on better margins. YTD sugar output is down 4.9% YoY to 18mt while ethanol output is up 0.1% YoY to 20.6bn litres.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	62.38	-0.34	15.95	Spot Gold (US\$/oz)	1,485.8	-0.89	15.85
NYMEX WTI (US\$/bbl)	57.4	-0.78	26.40	Spot Silver (US\$/oz)	18.0	-0.03	16.19
ICE Gasoil (US\$/t)	601	1.44	17.62	LME Copper (US\$/t)	5,825	0.17	-2.35
NYMEX HO (Usc/g)	193	0.18	14.90	LME Aluminium (US\$/t)	1,820	1.17	-1.41
Eurobob (US\$/t)	574	0.40	19.65	LME Zinc (US\$/t)	2,338	1.21	-5.23
NYMEX RBOB (Usc/g)	159	0.39	20.18	LME Nickel (US\$/t)	18,045	-0.03	68.80
NYMEX NG (US\$/mmbtu)	2.58	-0.19	-12.24	CBOT Corn (Usc/bu)	349	2.27	-7.07
TTF Natural Gas (EUR/MWh)	14.40	17.72	-34.47	CBOT Wheat (Usc/bu)	485	2.11	-3.73
API2 Coal (US\$/t)	65	4.92	-23.20	CBOT Soybeans (Usc/bu)	859	1.69	-2.63
Newcastle Coal (US\$/t)	68	1.87	-32.69	ICE No.11 Sugar (Usc/lb)	10.88	-0.37	-9.56
SGX TSI Coking Coal (US\$/t)	147		-30.89	ICE Arabica (Usc/lb)	98	3.53	-3.44
SGX Iron Ore 62% (US\$/t)	88.81	-0.28	27.84	ICE London Cocoa (GBP/t)	1,629	-1.51	-7.76

Source: Bloomberg, ING

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