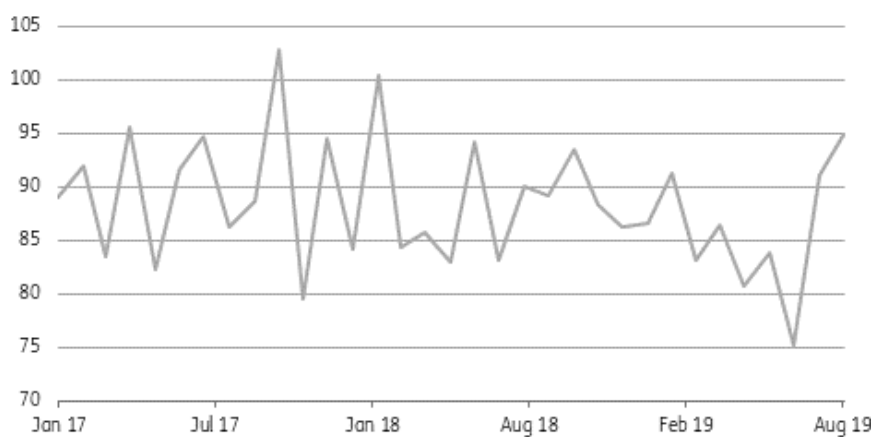


The Commodity Feed: China iron ore imports increase

Your daily roundup of commodity news and ING views



China iron ore imports (mt)



Source: Bloomberg, ING

Energy

Speculative interest in oil – Exchange data shows that speculative net longs in ICE Brent increased

by 18,118 lots the last week with the speculators now holding net longs of 242,239 lots. Speculative longs in ICE Brent saw some recovery from lower levels in mid-August mainly on the back of expectations of further policy support in the US and China and also on tighter Brent-WTI spread which narrowed to a one-year low of less than US\$4/bbl in late August. On the other hand, speculative net longs in NYMEX WTI dropped by 14,196 lots over the week with money managers holding net longs of 168,254 lots as on 3 September. The physical market in the US has tightened over the recent few weeks as witnessed in the EIA inventory data. However, speculators continue to focus on threats of lower exports due to Chinese tariffs and increasing domestic production.

Canada oil shipment – Genscape data shows that Canadian crude-by-rail shipment dropped to 214Mbbbls/d in August 2019 compared to highs of 287Mbbbls/d in June 2019 due to subdued Brent-WCS spread. The Brent-WCS price spread dropped to an average of US\$16.5/bbl in August 2019 compared to an average of US\$19.5/bbl in July 2019 and a year-to-date average of US\$19.4/bbl. Lower price spread makes it uneconomical for some of the oil shipments to the US Gulf Coast on costly railways. Lower Canadian oil flow into the US could help tighten the US oil market even further where inventories have dropped for 10 of the last 12 weeks.

Metals

China iron ore imports – China's iron ore imports increased 4% MoM (+6% YoY) to 94.9mt in August 2019 - levels not seen since January 2018, as shipments from Australia, continue to increase while Brazilian exports also recover. Year-to-date Chinese imports of iron ore are now down 3.5% YoY to 684.9mt over the first eight months of 2019. Dalian iron ore prices have corrected by more than 20% since making a high in July 2019 on the back of improving supplies and demand slowdown concerns. Meanwhile, China has announced a 0.5% cut in Reserve Requirement Ratio for banks aiming to support the economic and industrial activity, especially for smaller firms.

CFTC report – Weekly data from CFTC shows that speculators have increased their net long position in COMEX gold by 2,858 lots over the last week with them now holding a net long position of 290,709 lots as on 03 Sep. Managed money gross longs increased by 2,067 lots over the week while gross shorts dropped by 791 lots. However, prices action in gold since then suggest that some of these longs have been liquidated after China and the US announced that the next trade talks will be held in early October and economic data out of the US was on the positive side. Meanwhile, money managers increased their net short position in COMEX copper by 576 lots with them now being net short of 71,379 lots. Speculative shorts in copper are very high and some positive economic data could create a rush to cover these shorts.

Agriculture

Managed money position – Money managers were seen selling corn futures for the seventh consecutive week with them now holding a net short position of 119,371 lots over the week ended 3 September. USDA's expectations of better corn yield in the US for the current season, risks of lower shipments to China and ample inventory have been weighing on sentiment. Meanwhile, speculators reduced their net shorts in CBOT soybean by 2,920 lots over the last week with them holding a net short position of 73,127 lots.

Moving forward, USDA will be releasing its monthly WASDE report on Thursday and will be watched closely for further clues on domestic and international supply and demand of grains.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	61.54	0.97	14.39	Spot Gold (US\$/oz)	1,506.8	-0.81	17.49
NYMEX WTI (US\$/bbl)	56.52	0.39	24.47	Spot Silver (US\$/oz)	18.2	-2.54	17.32
ICE Gasoil (US\$/t)	576	-1.83	12.68	LME Copper (US\$/t)	5,833	-0.21	-2.21
NYMEX HO (Usc/g)	190	0.62	13.06	LME Aluminium (US\$/t)	1,791	0.39	-2.98
Eurobob (US\$/t)	568	0.90	18.51	LME Zinc (US\$/t)	2,328	-0.60	-5.63
NYMEX RBOB (Usc/g)	157	1.82	18.92	LME Nickel (US\$/t)	17,685	1.06	65.43
NYMEX NG (US\$/mmbtu)	2.50	2.51	-15.10				
TTF Natural Gas (EUR/MWh)	12.35	0.94	-43.81	CBOT Corn (Usc/bu)	343	-1.15	-8.67
				CBOT Wheat (Usc/bu)	460	-0.81	-8.54
API2 Coal (US\$/t)	59	0.43	-31.80	CBOT Soybeans (Usc/bu)	845	-0.56	-4.25
Newcastle Coal (US\$/t)	68	-0.15	-32.54	ICE No.11 Sugar (Usc/lb)	11.02	0.46	-8.40
SGX TSI Coking Coal (US\$/t)	151	-0.85	-28.91	ICE Arabica (Usc/lb)	94	1.79	-7.85
SGX Iron Ore 62% (US\$/t)	86.57	-0.46	24.61	ICE London Cocoa (GBP/t)	1,664	0.18	-5.78

Source: Bloomberg, ING

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