Commodities Feed: Cocoa price jumps

Cocoa prices saw a significant jump last week on rising supply fears from West Africa due to unfavourable weather conditions

Energy – Oil edges higher amid lingering geopolitical risks

Both ICE Brent and NYMEX WTI continued the positive run this morning after making gains last week with geopolitical tensions from the Middle East remaining in focus. A fair amount of uncertainty over Iran's response to last month's assassination of a top leader of Hamas in Tehran has been supportive of the risk premium for crude oil.

There are suggestions that some of the major oil refineries in the US are restricting operations at their facilities this quarter following shrinking profit margins. It is reported that Marathon Petroleum Corp. (owner of the largest US refinery) plans to operate its 13 plants at an average of 90% of capacity utilisation this quarter, the lowest for the period since 2020. Similarly, PBF Energy Inc. announced that it is preparing to process the least crude in three years. Alongside this, Phillips 66 will run its refineries near a two-year low while Valero Energy Corp. expects to trim oil processing. These four refiners hold about 40% of US capacity to produce gasoline and diesel.

Drilling activity in the US recovered over the last week. The latest rig data from Baker Hughes shows that the number of active US oil rigs increased by three over the week to 485, the highest since mid-June. However, despite the weekly increase, the oil rig count is still down by 40 compared to this time last year. The total rig count (oil and gas combined) stood at 588 over the reporting week, up from 586 a week earlier. Primary Vision's frac spread count, which gives an idea of completion activity, also rose by six over the week to 243.

Recent reports suggest that Saudi Aramco will provide around 43m barrels of contractual supplies of crude to Chinese customers for September loading, compared with around 45m barrels for August. It is believed that some refiners nominated lower volumes because contracted supply is more costly than spot cargo.

The latest positioning data from the Commodity Futures Trading Commission (CFTC) shows that speculators decreased their net longs in ICE Brent by 52,552 lots for a fourth week straight, pushing the net long position to record lows of 25,438 lots as of 6 August 2024. Similarly, money managers reduced their net long position in NYMEX WTI by 23,657 lots, leaving them with net longs of 188,260 lots as of last Tuesday. In products, the net bullish bets for gasoline fell by 5,446 lots to 7,624 lots over the reporting week, the lowest since July 2017.

The energy calendar for the week remains quite eventful. OPEC will publish its monthly oil market report tonight, while the IEA will also publish its monthly oil market report tomorrow. We will also have the usual weekly US inventory reports from the API and the EIA, and the market will be watching the US CPI report closely too.

Metals – Codelco copper output declines

Recent data from the Chilean copper commission Cochilco shows that Codelco's total copper production fell 7.9% month-on-month (down 14.5% year-on-year) to 102.8kt in June. Cumulatively, output fell by 8.1% YoY to 628.4kt over the first half of the year, primarily due to delays in structural projects. However, BHP's Escondida copper mine reported gains of 2.3% YoY (+7.4% MoM) to 114kt last month, while year-to-date production rose by 10% YoY to 614.4kt in the first half of the year. Meanwhile, output at the Collahuasi mine was slightly higher in both comparisons, while Los Pelambres was little changed in June.

In China, the recent data from the Shanghai Futures Exchange (ShFE) shows that copper stocks fell by 8,836 tonnes (-3% week-on-week) over the last week to 286,305 tonnes as of 9 August 2024. Among other metals, zinc stocks decreased by 8,959 tonnes for a fifth consecutive week to 96,461 tonnes (the lowest since 23 February 2024), while lead and aluminium inventories rose by 14.1% WoW and 1.6% WoW respectively as of Friday.

The latest positioning data from the CFTCC shows that speculators decreased their net longs of COMEX copper by 2,255 lots for a fourth consecutive week to 7,194 lots as of 6 August 2024. This was the lowest bullish bet since the week ending 5 March 2024. The move was driven by falling gross longs and gross shorts by 12,782 lots and 10,527 lots respectively. In precious metals, managed money net longs in COMEX gold decreased by 3,435 lots to 185,474 lots over the last reporting week. Similarly, speculators decreased net longs of silver by just 26 lots for four consecutive weeks to 24,904 lots as of last Tuesday.

Agriculture – Supply concerns from West Africa push cocoa higher

US cocoa prices extended their upward rally surging as much as 12% day-over-day at one point on Friday (the biggest intraday jump since May 2024), amid dry weather conditions from the top producers, Ivory Coast and Ghana, raising concerns for a tighter market. Cocoa prices have been up around 10% in the last week. A significant drop in showers in top-producing countries led to below-normal soil moisture that could hamper crop growth in the current season. However, some market participants estimate that mixed weather conditions in the upcoming months could lead to a recovery in West Africa's cocoa production and flip the market into a surplus in the ongoing season.

The latest data from France's Agriculture Ministry shows that 88% of soft wheat has been harvested as of 5 August, up from the 67% harvested a week ago and in line with the previous year's harvest. Meanwhile, the durum wheat harvest is almost completed with 99% for the period mentioned above.

The General Department of Vietnam Customs released trade volume estimates for July which show that coffee exports dropped to 77kt, down 29.3% compared to 108.9kt reported a year ago. Cumulatively, coffee exports have dropped by 12.4% YoY to 979.4kt over the first seven months of the year. Poor weather conditions are largely behind these lower volumes.

Recent numbers from Ukraine's Agriculture Ministry show that grain harvests increased to 27.3mt as of 9 August, compared to 16.6mt for the same period last year. The above includes a wheat harvest of 20.9mt from 97% of the sown area for this period.

The latest CFTC data shows that money managers decreased their net bearish bets in CBOT wheat by 6,284 lots over the last week, leaving them with a net short position of 71,332 lots as of 6 August. The move was predominantly driven by falling gross shorts by 7,861 lots. Similarly, speculators decreased their net short in CBOT corn by 52,551 lots for a fourth consecutive week to 242,545 lots as of last Tuesday. The move was dominated by falling shorts positions with gross shorts decreasing by 41,337 lots to 413,536 lots. Meanwhile, the net speculative short positions in CBOT soybeans fell by 9,575 lots to 169,016 lots over the last reporting week following a decrease in gross shorts by 8,653 lots to 217,682 lots.

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