

Commodities Feed: Speculative trades boost Brent longs

The oil rally appears to be running out of momentum. However, the oil balance remains constructive through the third quarter



Energy – US drilling activity slows further

Oil markets settled higher for a second consecutive week last week. ICE Brent was up almost 3.2%. However, the market showed some weakness towards the end of the week and this has carried through into early morning trading today. Despite this, we remain supportive towards the oil market with a deficit over the third quarter set to tighten the oil balance. Speculators have also become more constructive towards oil as we move into summer. Speculators increased their net long in ICE Brent by 68,535 lots to 140,221 lots as of last Tuesday. Fresh longs entering the market and short covering drove the move fairly evenly.

Drilling activity in the US slowed further over the last week. The latest data from Baker Hughes shows that the number of active oil rigs fell by 3 last week to 485 - the lowest since January 2022. The gas rig count remained stable over the week at 98. Primary Vision's frac spread count, which gives an idea of completion activity, also fell by 4 over the week to 246.

The ICE gasoil market has not reacted much to reports of further drone attacks on Russian refineries with 4 refineries targeted last week. The gasoil crack continues to trade around \$20/bbl.

One reason for the lack of response is that export flows continue largely unaffected. Russian middle distillate exports stand at around 4.32m tonnes so far in June according to LSEG data, which is the fourth consecutive month of increases in exports and the highest volume exported at least since the start of 2023. In addition, inventories remain comfortable. The latest data from Insights Global shows that gasoil stocks in the ARA region increased by 57kt WoW to 2.26mt.

European natural gas prices settled more than 1.5% lower last week as concern over Russian pipeline supplies eased. The EU's latest sanction package against Russia also did not include a full ban on Russian LNG, instead only banning the re-export of Russian LNG from EU ports. The move could see more Russian LNG remaining within Europe. Prices could come under more pressure today as Chevron resumed full production at its Wheatstone LNG facility in Australia over the weekend.

Metals – Global steel output edges higher

Weekly data from the Shanghai Futures Exchange (ShFE) show that copper inventories fell by 7,843 tonnes over the week to 322,910 tonnes as of last Friday. While this is the second week that copper inventories have declined, they remain well above seasonal norms due to sluggish demand and stubbornly high refined copper output.

Global steel production rose 1.5% YoY to 165.1mt in May, according to the World Steel Association, following higher output from major producers like China, India and Turkey. Cumulative global steel output remained almost flat at 793.2mt over the first five months of the year. Chinese steel production increased 2.7% YoY to 93mt, while output in India and Turkey rose 3.5% YoY and 11.6% YoY to 12.2mt and 3.2mt respectively last month.

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