The Commodities Feed: China's GDP falls short

The complex has come under pressure this morning following China's second quarter GDP data, which came in below market expectations. The data will do little to ease concerns over the Chinese economy

Energy – China data weighs on oil

Oil's venture above US$80/bbl was relatively short-lived, with Brent settling below this level at the end of last week. Downward pressure has continued during early morning trading today following weaker than expected Chinese GDP data. A slight recovery in the USD has also put some pressure on oil whilst supply concerns have also eased, with both the Sharara and El Feel oil fields in Libya reportedly resuming after a brief shutdown last week due to protests.

However, it appears as though loadings at Shell's Forcados oil terminal in Nigeria remain halted after a possible leak was discovered last week. The terminal was set to ship 220Mbbls/d in July. This follows a number of other recent supply disruptions in the oil market, including Kazakh output being affected by power issues and Mexican output bieing hit by a platform explosion, whilst the market is still awaiting the resumption of Kurdish oil flows via the Ceyhan terminal in Turkey.

Speculators increased their net long in ICE Brent over the last reporting week, buying 48,123 lots to leave them with a net long of 233,029 lots as of last Tuesday. This is the largest net long speculators have held since April. However, the current speculative long is likely to be somewhat larger, given that this data will not include the post-US CPI rally. The Commitment of Traders report also shows that producers appear to have taken advantage of the more recent strength by selling into the rally, with the producer gross short increasing by 34,930 lots over the last reporting week.

The latest rig count data from Baker Hughes shows that the number of active US oil rigs continues to trend lower. The oil rig count fell by 3 over the last week to 537, which is the fifth consecutive week of declines. The number of active rigs has fallen from a year-to-date peak of 623 in mid-January. Whilst up over the last week, Primary Vision's frac spread count does suggest that completion activity in the US has plateaued over the last few months.

China released its second quarter GDP numbers this morning, which showed that GDP grew 6.3% year-on-year, falling short of market estimates of 7.1%. Even so, quarter-on-quarter GDP numbers came in line with consensus at 0.8%. June industrial production came in above expectations at 4.4% YoY, whilst retail sales in June slowed to 3.1% YoY from 12.7% previously, which was also below expectations of 3.3%. The weaker than expected GDP numbers are likely to continue to cause concern for markets. Digging a little deeper into industrial output numbers shows that apparent domestic oil demand was strong over June, coming in at 14.86MMbbls/d, up 13.6% YoY and 1.4% MoM. However, the oil market clearly seems focused on weak headline numbers.

Agriculture – Black Sea Grain deal extension in focus

Grain markets will focus on the Black Sea Grain Initiative today. The deal is scheduled to expire today and up until now, there has been no decision from Russia on whether they will extend their participation in the deal. Ukraine has shipped about 33mt of grains since July 2022 under the deal. Failing to extend the deal would lead to a tightening in grain markets, which would propel prices higher.

The latest Commodity Futures Trading Commission (CFTC) data shows that money managers increased their net bearish bets in CBOT corn by 44,843 lots over the last week, leaving them with a net short position of 63,052 lots as of 11 July. The move was predominantly driven by fresh selling, with the gross short increasing by 36,038 lots. CBOT wheat saw a marginal reduction in the speculative net short, with speculators buying 1,878 lots to leave them with a net short of 52,128 lots. Meanwhile, speculators reduced their net long in CBOT soybean by 6,394 lots to 82,748 lots.

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