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COMMODITIES DAILY

The Commodities Feed: Further China support measures

The commodities complex has received a further boost this morning following the announcement of additional support measures for the Chinese property sector



Energy – Oil market shrugs off Middle East escalation

The oil market's response to developments in the Middle East over the weekend has been somewhat muted. The market has become increasingly numb to the tension in the region given that, after almost a year of conflict, there has still been no impact on oil production. However, if Iran were to become more involved, this would increase the risk of oil supply disruptions. In addition, OPEC is sitting on a large amount of spare production capacity, which will also provide the market with some comfort.

The latest positioning data shows that speculators flipped back to a net long in ICE Brent over the last reporting week. Speculators bought 29,910 lots over the week to leave them with a net long of 21,769 lots. This move was predominantly driven by fresh buying, with the gross long increasing by 21,461 lots. The swap dealer segment in the positioning data also shows that the gross long stands at 503,401 lots, up from 375,653 lots in mid-July and the highest level since 2020. The increase in this positioning likely reflects consumers taking advantage of lower prices to lock in some hedges.

On the energy calendar for the week, apart from the usual US inventory numbers, OPEC+ will hold its Joint Ministerial Monitoring Committee (JMMC) meeting on Wednesday. However, with the group having agreed on production targets through until the end of November, it is unlikely that the JMMC will recommend any large shift in policy.

Metals – Iron ore surges with further Chinese support measures

Iron ore prices have rallied by around 10% this morning, taking prices back above \$112/t after further support measures came through from China in a bid to support the property market. Shanghai, Guangzhou and Shenzhen relaxed homebuying rules. These latest steps follow action taken last week, which included lowering borrowing costs and downpayment requirements.

Shanghai Futures Exchange (SHFE) inventory data show that weekly inventories for all base metals (except nickel) fell over the reporting week. Copper stocks fell by 24,530 tonnes for the 12th consecutive week to 140,408 tonnes, the lowest since 9 February 2024. Meanwhile, aluminium inventories decreased by 7,324 tonnes to 279,171 tonnes. Lead and zinc stocks fell by 33.2%, and 6.4% over the week. In contrast, nickel inventories rose by 11.6% week-over-week to 25,504 tonnes.

The latest positioning data from the CFTC shows that speculators increased their net longs of COMEX copper by 14,765 lots for a third consecutive week to 37,103 lots as of 24 September. In precious metals, managed money net longs in COMEX gold increased by 2,213 lots to 254,841 lots over the last reporting week. Similarly, speculators increased net longs of silver by 3,776 lots for a third consecutive week to 46,088 lots as of last Tuesday.

Agriculture – UNICA reports higher cane crush

UNICA data shows that sugar cane crushing in Centre-South Brazil was up 2.5% year-on-year to 42.9mt over the first half of September, although the pace of the crush slowed from the second half of August, where 45.1mt of cane was crushed. The cumulative sugar cane crush for the season stands at 466.3mt, up 3.9% YoY. Sugar production fell slightly to 3.1mt (-0.1% YoY) in the first half of September, with 47.9% of cane allocated to sugar production in the fortnight. Cumulative sugar output so far this season stands at 30.3mt, up 3.6% YoY.

The latest data from Ukraine's Agriculture Ministry shows that grain exports for the season so far rose 59% YoY to reach 10.1mt as of 27 September, up from 6.3mt for the same period last year. The increase was driven largely by wheat with exports rising 86% YoY to 5.8mt. Similarly, corn exports stood at 2.7mt, up 5% YoY.

The latest CFTC data show that money managers decreased their net short position in CBOT soybeans significantly by 47,437 lots to 74,978 lots (least bearish since 4 June 2024) as of 24

September. The move was dominated by falling short positions with the gross short decreasing by 36,032 lots to 135,629 lots. Similarly, speculators decreased their net bearish bets in corn by 4,115 lots over the last week, leaving them with a net short position of 130,699 lots.

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