

The Commodities Feed: Further spec liquidation

Given the moves seen in the oil market in recent weeks, it was no surprise that speculators aggressively cut their net long in the oil market. Meanwhile, EU energy ministers meet this week to discuss an extension in voluntary gas demand cuts, while for LME nickel, Asian trading hours finally resume today, following the short squeeze in March last year



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Energy - Speculators cut further longs

Despite the weakness in the oil market towards the end of last week, ICE Brent still managed to settle almost 2.8% higher WoW and more importantly, hold above US\$70/bbl in the recent sell-off. Price action in early morning trading today is looking more positive with both Brent and WTI trading stronger.

It shouldn't come as too much of a surprise that positioning data shows that speculators once again cut their net long in ICE Brent significantly. The managed money net long fell by 63,459 lots over the last reporting week to 169,925 lots as of last Tuesday. This reduction was driven largely by longs liquidating (42,880 lots), but there was also a fair amount of fresh shorts added (20,579 lots).

The latest data show that most of the gross longs that we saw added over January and February have now been closed out. Given the more neutral spec positioning, this leaves speculators with quite a bit of room to push the market higher. Although, obviously for that, we will need to see a change in sentiment and an easing in concern over recent developments in the banking sector.

There are reports that Nigeria is finding it difficult to find buyers for its April loadings of crude oil. Bloomberg reports that somewhere between 20-25 shipments are still unsold for the month. This comes at a time when strike action in France (which is a relatively large buyer of Nigerian crude) has led to refiners reducing runs, which obviously weighs on crude oil demand. In addition, some seasonal maintenance is ongoing at several European refiners, which will not be helping matters.

EU energy ministers are set to meet this Tuesday to discuss a number of topics, including natural gas demand reductions. The 15% voluntary demand reduction agreed upon last year, is set to expire at the end of March. The current proposal sees the 15% voluntary demand cut extended through until March 2024. Our balance suggests that from April 2023 through to March 2024, the EU will only need to see around a 10% demand cut to ensure a comfortable supply/demand picture for the region.

Metals – LME aluminium on-warrant stocks decline

LME on-warrant aluminium stockpiles fell by 4,825 tonnes for a fifth consecutive day to 426,975 tonnes on Friday, the biggest fall since 10 March. Most of the outflows were reported from warehouses in Asia. Net outflows for the week totalled 10,925 tonnes as of last week compared to the inflows of 10,825 tonnes a week earlier. Meanwhile, exchange inventories declined for the fifth straight session, falling by 6,625 tonnes to 532,725 tonnes at the end of last week.

Data from the Shanghai Futures Exchange (ShFE) shows that weekly exchange inventories for aluminium declined by 18,170 tonnes to 293,291 tonnes as of Friday. This was the first weekly decline in stocks since December. Among other metals, copper stocks fell 11.6% WoW to 161,152 tonnes, whilst lead inventories fell 25% WoW to 37,537 tonnes.

The latest reports suggest that operations at the Las Bambas copper mine in Peru are back to normal, as MMG Ltd. confirmed over the weekend that 'the mining processing and transport of concentrate is back to full capacity' following the end of roadblocks by community protestors.

Chinese refined nickel net imports have slumped to near a record low after domestic producers ramped up production levels. Data from Chinese Customs shows that net imports of refined nickel fell 85% MoM (lowest since October 2019) in February. The latest forecast from Mysteel shows that domestic refined nickel output may rise 39% YoY to 245.9kt in 2023 as smelters process Indonesian intermediate products and recycled material.

The LME will resume Asian trading hours for its nickel contract from today. The LME will be hoping that this leads to a boost in volumes and helps to improve liquidity. Asian trading hours for the LME nickel contract were suspended last year following the significant short squeeze seen in the market in March last year.

Agriculture– Ivory Coast cocoa shipments slow

The latest reports from the International Cocoa Organization (ICO) show that cocoa exports from the top producer, Ivory Coast, stood at 540kt between October 2022 to January 2023, down 9.3%

YoY. Total arrivals of beans at ports in the Ivory Coast for the season (as of 19th March) were 1.75mt, down from 1.82mt from the same period last year.

The latest CFTC data shows that money managers reduced their net bearish bets in CBOT wheat by 8,757 lots over the last week to 86,500 lots as of 21 March. The move was predominantly driven by short covering. Similarly, the speculative net short in CBOT corn decreased by 12,238 lots to 41,896 lots, while for soybeans, speculators reduced their net longs by 16,875 lots, leaving them with a net long position of 110,786 lots.

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