The Commodities Feed: Gold hits record highs

Gold prices jumped above US$2,100/oz, surpassing their previous highs made in August 2020 on growing expectations for US rate cuts next year. A weaker US dollar and lower treasury yields, along with increased geopolitical uncertainty, are prompting the higher prices. We also look at what else is making news this Monday in commodities

Metals – Gold rises to record highs

Spot gold prices jumped to record highs of US$2,135/oz this morning on rising expectations of easing monetary policy in the US before paring most of those gains. The latest comments from Fed Chair Jay Powell suggest that monetary policy in the US is "well into restrictive territory", leaving the market speculating that the Fed might start trimming interest rates early next year. Meanwhile, an easing US dollar and extended weakness in the treasury yields continue to support the buying sentiment for gold. Looking at the speculative positions, the latest CFTC data shows that the money managers increased their net longs in COMEX gold by 29,516 lots for a second consecutive week, leaving them with a net long of 144,410 lots as of last Tuesday, at the highest level since 9 May. The speculative buying interest for gold is likely to continue in the near term, given the ongoing geopolitical tensions and expectations of lower interest rates in the US.

In copper mine supply, First Quantum Minerals has suspended production guidance for the Cobre Panama mine for 2023. First Quantum stopped commercial production at the mine last week after the Supreme Court of Panama ruled against a contract between the government and the mining company. It is estimated that the mine holds around 1.5% of the share of the global copper mined supply. Meanwhile, the latest data from Fastmarkets show that treatment charges for copper paid by Chinese smelters have dropped below US$70/t for the first time since August 2022, indicating a tightening ore supply.

The LME data shows that cancelled warrants for copper increased by 5,359 tonnes to 34,525 tonnes as of Friday, the highest since 20 July. Most of the increments were reported from New Orleans warehouses. On-warrant inventories for copper dropped by another 6,350 tonnes for a seventh straight session to 139,725 tonnes at the end of last week, the lowest since 12 September. The LME cash/3m spread for copper tightened to a contango of US$72/t as of Friday, compared to a contango of US$77/t a day earlier.

In China, the recent data from the Shanghai Futures Exchange (ShFE) shows that copper stocks fell sharply by 9,729 tonnes (-27% WoW) over the last week to 26,149 tonnes as of 1 December, the lowest since May 2009. Among other metals, zinc stocks decreased by 3,425 tonnes to 34,541 tonnes (lowest in over a month), while lead and aluminium inventories rose by 15.6% WoW and 1.3% WoW, respectively, as of Friday.

Energy – OPEC crude oil production softens in November

Sentiment in the oil market remains negative this morning, with both ICE and WTI futures trading almost 1% lower after the announcement from the OPEC+ meeting failed to convince the market about a tighter oil balance in the immediate term. Pessimism over compliance with the new deal remains one of the major concerns for the market for now.

Initial data shows that OPEC crude oil production dropped to around 28.05MMbbls/d in November 2023 compared to 28.19MMbbls/d in October 2023, according to a Bloomberg survey. The BBG survey estimates that supply from Iraq and Nigeria dropped by 50Mbbls/d each, while Iran and Kuwait also lowered production by 40Mbbls/d each. Higher production from Saudi Arabia and Libya helped offset some of the production losses for the month.

Weekly data from Baker Hughes shows that the US added five oil rigs over the last week, taking the total oil rig count to 505, whilst the gas rigs fell by 1, taking the total rig count (oil & and gas combined) to 625 for the week ended 1 December. US oil rigs have now increased to their highest level in nearly two months, although the recent weakness in oil prices could weigh on further rig additions over the coming weeks.

The Al-Zour refinery in Kuwait is now fully operational as the third of the three mini refineries was brought online on Sunday. This will gradually increase the refining capacity of the facility to 615Mbbls/d from the current capacity of 410Mbbls/d. The plant halted its operational activities last month after a fuel gas feed was halted. Al-Zour is one of the largest oil-processing facilities in the Middle East and it is expected to boost the nation’s refining capacity to about 1.5MMbbl/d.

The latest positioning data from CFTC shows that speculators decreased their net long position in NYMEX WTI by 6,408 lots for a ninth straight week over the last week, leaving them with net longs of 98,137 lots as of 28 November 2023, the lowest since the week ending on 4 July 2023. In contrast, money managers increased their net longs in ICE Brent by 11,630 lots over the last week after reporting five consecutive weeks of decline, leaving them with a net long position of 166,735 lots as of last Tuesday.

Agriculture – Arabica coffee prices rise on lower inventories

Arabica coffee futures jumped to the highest since June on Friday amid concerns over lower stock availability at the exchange warehouses due to the implementation of a new rule by the Intercontinental Exchange. As of 1 December, the ICE started to restrict the resubmission of old coffee to control the quality of coffee beans at the exchange. As per the latest data, total coffee inventories held at ICE warehouses dropped by around 165k bags in November to 224k, the lowest since 1999. The rule change could further weigh on the exchange stocks over the coming weeks and push coffee prices higher. Meanwhile, the spread between Robusta and higher-quality Arabica coffee widened to the highest level since 27 April and traded near USc77/lb as of Friday, following the sharp rise in Arabica prices. Robusta prices also moved higher recently on supply concerns in the key Asian producers, however, they failed to match the significant gain seen in Arabica prices.

In its latest report, the International Cocoa Organization (ICCO) revised down the global cocoa deficit estimates to 99kt for the 2022/23 season, lower than the 116kt estimated earlier. The downward revision in the estimates was primarily due to the falling quarterly cocoa grindings. For the 2023/24 season, the organization believes the global deficit will continue to persist.

The latest data from Ukraine's Agriculture Ministry shows that grain exports so far in the 2023/24 season stood at 13.1mt as of 1 December, a decline of 28% YoY. The above includes wheat exports of 5.9mt, down 14% YoY and corn shipments of 6.2mt, down 36% YoY. Turning to harvest, the Agriculture Ministry reported that grain harvest rose 34% YoY to 56.3mt for the above-mentioned period. These include 22.5mt (+16% YoY) of wheat and 26mt (+68% YoY) of corn.

The latest CFTC data show that money managers increased their net bearish bets in CBOT corn by 20,976 lots to 206,478 lots as of 28 November. The rise was led by an increase in gross shorts by 24,614 lots, taking the total to 362,537 lots. Similarly, speculators increased their net bearish bets for CBOT wheat by 11,810 lots to 119,986 lots. The move was fueled by an increase in gross shorts by 6,040 lots, taking the total gross shorts to 197,851 lots. Meanwhile, net speculative long positions in CBOT soybean fell by 14,025 lots to 67,562 lots over the last reporting week, following an increase in gross shorts and a decline in gross longs by 8,078 lots and 5,947 lots, respectively.

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