

The Commodities Feed: Higher speculative activity in crude oil

The oil market started the week on a softer note as China's briefing over the weekend lacked any concrete new measures to support struggling oil demand in the country. Meanwhile, speculators increased long positions in ICE Brent amid heightened tensions in the Middle East



Energy – Speculators cover shorts significantly

ICE Brent and NYMEX WTI opened lower this morning, with prices for both falling over 1% after China policy briefing over the weekend failed to offer new incentives to boost consumption in the country. However, the prospect of escalations in the Middle East conflict has encouraged hedge funds to offload bearish bets in ICE Brent at the fastest pace in nearly eight years.

The latest positioning data shows that a fair amount of speculative buying in ICE Brent occurred over the last week. Speculators added 123,226 lots to the net long position, a fourth consecutive week of long build-up, leaving them with a net long position of 165,008 lots as of last Tuesday. Money managers reduced gross shorts by 47,977 lots to 91,222 lots, the largest weekly decline since December 2016. Meanwhile, gross longs jumped by 75,249 lots over the last week to 256,230 lots. In contrast, for NYMEX WTI, speculators decreased their net long by 3,947 lots over the week to 137,293 lots for the week ending on 8 October 2024.

Iraq's state oil company SOMO said that the country has slashed oil production by 260k bbls/d to

3.94m bbls/d in September. This is 60k below its OPEC+ oil production quota, as the country tries to better comply with the group's effort to balance global crude oil markets. Earlier, OPEC+ advised members like Iraq, Kazakhstan and Russia to fully implement output cuts pledged at the start of the year.

Meanwhile, drilling activity in the US recovered over the last week. The latest rig data from Baker Hughes shows that the number of active US oil rigs increased by two over the week to 481, for the first time in four weeks. There are suggestions that the shale drilling trends may be stabilising after declining through most of 2024, buoyed by a rally in oil and gas prices. The total rig count (oil and gas combined) stood at 586 over the reporting week, up from 585 a week earlier. Primary Vision's frac spread count, which gives an idea of completion activity, also increased by five over the week to 241.

The energy calendar for the week remains quite eventful. OPEC will publish its monthly oil market report tonight, while the IEA will also publish its monthly oil market report tomorrow and its World Energy Outlook the following day. We will also have the usual weekly US inventory reports from the API and the EIA.

Metals – Metals steady after China promises more support for growth

Industrial metals steadied while iron ore reversed an earlier decline as China pledged more support in its policy briefing over the weekend. The country's finance ministry promised more help for the struggling property market and private companies, however it did not indicate any fresh stimulus measures that investors were hoping for.

Recent reports suggest that Indonesia might allow Freeport Indonesia and Amman Mineral to continue exports of copper concentrate for another one or two months, as their new smelters may not reach 100% capacity at year-end. It is reported that the export volumes will depend on the gap between the production and the smelter's capacity, while the government has yet to make the final decision.

Shanghai Futures Exchange (SHFE) data shows that the weekly inventories for all base metals (except nickel) rose over the reporting week. Copper stocks rose by 14,860 tonnes for a second week to 156,485 tonnes, and lead inventories increased 9.3% week-on-week to 44,566 tonnes. Zinc and aluminium also rose marginally by 0.9% and 0.1% respectively, while nickel inventories fell 2% to 24,994 tonnes over the week.

The latest positioning data from the CFTC shows that speculators decreased their net long in COMEX copper by 3,590 lots after reporting gains for four consecutive weeks to 37,537 lots as of 8 October 2024. In precious metals, managed money net longs in COMEX gold decreased by 22,677 lots for a second successive week to 226,283 lots over the last reporting week. This was the least bullish bet since the week ending 13 August as the US interest rate cut path remains uncertain. Similarly, speculators decreased net longs of silver by 3,635 lots to 34,744 lots as of last Tuesday.

Agriculture – USDA raises domestic corn crop estimates

In its latest WASDE report, the USDA revised up US corn production estimates by 17m bushels to 15,203m bushels on the back of better yields. The upward revision was higher than the average market expectations of 15,173m bushels. Meanwhile, beginning stock estimates were lowered by

52m bushels to 1,760m bushels. With beginning stocks falling, ending stocks estimates were also revised down by 58m bushels to 1,999m bushels, higher than the average market expectation of 1,988m bushels.

For the global market, the USDA expects 2024/25 corn production to fall to 1,217.2mt this season, down from the earlier estimate of 1,218.6mt. Supply losses from Ukraine (-1mt), Egypt (-0.6mt) and Russia (-0.5mt) offset supply gains from India. The agency lowered the ending stocks estimates by 1.8mt to 306.5mt at the end of 2024/25. The market was expecting a number closer to 307.3mt. Global beginning estimates were increased from 309.6mt to 312.7mt for 2024/25.

There were only marginal changes to the US soybean balance for the year. US soybean production is projected to drop by 4m bushels to 4,582m bushels at the end of 2024/25. The market was expecting a number closer to 4,581m bushels. The agency left the US ending stock projections unchanged at 550m bushels. However, this is higher than the average market expectations of 546m bushels.

For the global market, the USDA increased global inventory estimates marginally from 134.6mt to 134.7mt at the end of 2024/25, largely on account of lower production and consumption. It was also slightly higher when compared to the average market estimates of 134.6mt. However, global soybean production estimates were revised down by around 0.3mt to 428.9mt due to the supply losses from the US. Global demand estimates for soybeans fell from 403mt to 402.7mt for 2024/25.

The USDA revised down 2024/25 US wheat production estimates by 11m bushels to 1,971m bushels. 2024/25 ending stock estimates were decreased by 16m bushels to 812m bushels because of falling supply and beginning stocks. The market was expecting a number closer to 820m bushels. For the global market, the USDA increased global wheat inventory estimates from 257.2mt to 257.7mt at the end of 2024/25, largely on account of higher stocks at the start of the year. It was also higher when compared to the average market estimates of 255.9mt. Global wheat production estimates were revised down by around 2.8mt to 794.1mt due to the supply losses from Russia, the US, and the EU. Global demand estimates for wheat fell from 804.9mt to 802.5mt for 2024/25.

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