The Commodities Feed: Metals surge higher

It's all fun and games in metals markets as prices for several metals surge higher. In contrast, the oil market remains rangebound, awaiting news on OPEC+ output policy for the second half of 2024

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Energy - Specs trim Brent longs

Oil prices remain rangebound. ICE Brent settled 0.85% higher on Friday, but oil prices have traded in less than a $3.50/bbl range since early May. To the upside, the market will likely face resistance along the 200-day moving average. We might have to wait for further clarity from OPEC+ and its output policy for the second half of the year to provide any impetus to the market and for it to break out of its recent range.

A fair amount of speculative selling in ICE Brent occurred over the last week. Positioning data shows that speculators sold 47,146 lots over the last reporting week, leaving them with a net long of 213,502 lots as of last Tuesday. The move was predominantly driven by longs liquidating. However, for NYMEX WTI, speculators increased their net long by 11,095 lots over the week to 128,746, largely due to short covering.

The natural gas market remains well supported. In the US, front-month Henry Hub futures are trading above $2.60/MMBtu. The market has rallied more than 60% since late April with fundamentals looking tighter. While US inventories are still very comfortable, flat supply and stronger demand growth this year should start to tighten up the US gas balance. More recently, the gap between current inventories and the 5-year average has narrowed due to weaker builds. Speculators have also started covering their shorts in Henry Hub. Speculators bought 44,565 lots over the last reporting week, leaving them with a net short of just 12,701 lots as of last Tuesday. This move was predominantly driven by short covering.

In Europe, TTF remains above EUR30/MWh despite storage being almost 67% full and still above levels seen at the same stage last year. We expect Europe to go into next winter with storage full, which suggests prices should trade lower from current levels. However, large speculative inflows into European gas has kept the market well supported.

Metals – prices surge

Spot gold prices broke above $2,400/oz on Friday, leaving it near the record level reached in April, while silver prices hit an 11-year high on Friday, as softer US data over the last week or so raised expectations of rate cuts. Silver prices surged above US$30/oz for the first time since February 2013 at the end of last week on robust financial and industrial demand, and there are suggestions that physical sales have also picked up. In addition, the market is set for a fourth straight year of supply deficits. Speculators have increased their positioning in COMEX gold and silver over the last week. CFTC data shows speculators increased their net long in gold by 9,810 lots to 172,942 lots. While for silver the speculative net long increased by 6,707 lots to 41,621 lots as of last Tuesday.

Industrial metals also saw significant strength last week. LME nickel prices settled more than 6% higher on Friday, which took total gains for the week to more than 11%. Reports of unrest in New Caledonia have triggered supply concerns. New Caledonia's nickel output was already slashed earlier this year, following a drop in nickel prices. According to the International Nickel Study Group (INSG), New Caledonia accounted for 6% of global nickel output in 2023.

LME copper rallied almost 7% last week, dragged higher by COMEX copper, which witnessed a short squeeze. Sentiment in the copper market is bullish, reflected by the speculative buying seen in the market. However, short-term fundamentals remain a concern, particularly when it comes to China. SHFE copper stocks are at their highest levels for this time of year in at least 15 years, while premia for imported refined copper into China remains at zero.

Cancelled warrants for aluminium rose by 60,000 tonnes (+15.3% DoD) to 452,175 tonnes as of Friday, the highest since October 2021. The majority of the increase was in warehouses in Malaysia's Port Klang. Cancelled warrants are up by 329,200 tonnes in the last week alone. On-warrant inventories declined for a third straight session to 641,100 tonnes as of Friday.

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