The Commodities Feed: Natural gas prices jump higher

Expectations of colder weather in the US and an early start to the withdrawal season have seen US natural gas starting the week on a strong note. Meanwhile, the escalation in Russia-Ukraine tensions continues to support energy prices

Expectations of a cold winter in the US have pushed US natural gas prices higher

Energy – Colder weather pushes US natural gas higher

Natural gas prices jumped higher this morning on expectations of colder weather in the US and the inventory draw over the last week. Henry hub Dec-24 contract jumped by around 9% to US$3.39/MMBtu this morning while the Jan-25 contract also increased by around 7% to US$3.52/MMBtu at the time of writing. Escalated geopolitical tension between Russia and Ukraine has also been broadly supportive of natural gas prices as peak demand season approaches. The US sanctioned Russian bank Gazprombank last week, the last major financial institution handling payments from European energy customers to Russia.

Crude oil prices started the week on a soft note after a positive run last week as geopolitical concerns remain although no new major escalation was seen over the weekend. ICE Brent slipped below US$75/bbl this morning while NYMEX WTI has been trading at around US$70.9/bbl. ICE Brent has been trading in a range of around US$70-75/bbl over the past few weeks as demand concerns keep a cap at around US$75/bbl while geopolitical concerns provide a floor around US$70/bbl.

Weekly positioning data from the CFTC shows that managed money net long position in NYMEX WTI dropped for the second consecutive week. Money managers trimmed net longs in NYMEX WTI by 17,810 lots over the week to 108,132 lots as of 19 November. On the other hand, exchange data shows that speculators have built fresh longs of 31,390 lots in ICE Brent over the last week to leave them with 134,929 lots of net long position. Fresh concerns around the Russia-Ukraine war have pushed up speculative interest in energy commodities. Speculators also added 7,319 lots of long positions to the NYMEX gasoline contracts to push net longs to 68,380 lots last week.

Metals – Global steel output edges higher

The latest data from the World Steel Association (WSA) shows that global steel production rose marginally by 0.4% YoY to 151.2mt in October. Higher output from China (+2.9% YoY to 81.9mt), India (+1.7% YoY to 12.5mt) and the European Union (+5.7% YoY to 11.3mt) was partially offset by lower production from Russia (-15.2% YoY), South Korea (-18.3% YoY) and Japan (-7.8% YoY). Cumulatively, global steel output fell by 1.6% YoY to 1,546.6mt over the first 10 months of the year. Chinese steel production fell 3% YoY to 850.7mt for the year to date.

Meanwhile, Shanghai Futures Exchange (SHFE) inventory data shows that weekly inventories for all base metals (except nickel) fell over the reporting week. Copper stocks fell by 10,229 tonnes for a fifth consecutive week to 120,236 tonnes, the lowest since 9 February 2024. Meanwhile, aluminium inventories decreased by 1,827 tonnes for a fourth consecutive week to 231,854 tonnes (the lowest since June 2024). Lead and zinc stocks also fell by 20,547 tonnes and 4,521 tonnes over the week. In contrast, nickel inventories rose by 2.4% week-over-week to 31,194 tonnes.

The latest positioning data from the CFTC shows that speculators decreased their net longs of COMEX copper by 732 lots for a second consecutive week to 10,214 lots as of 19 November, the lowest since the week ending 13 August 2024. The move was driven by falling gross longs and gross shorts by 8,608 lots and 1,570 lots respectively. In precious metals, managed money net longs in COMEX gold decreased by 7,038 lots to 190,324 lots (the least bullish bets since the week ending on 6 August 2024) over the last reporting week. In contrast, speculators increased net longs of silver by 1,835 lots to 25,896 lots as of last Tuesday after previously reporting declines for three consecutive weeks.

Agriculture – Ukraine grain exports rise

Recent data from Ukraine's Agriculture Ministry shows that the season's grain exports have increased by 43% YoY to 17.2mt as of 22 November, up from 12mt for the same period last year. The increase was driven by wheat, with exports rising significantly by 57% YoY to 8.6mt. Similarly, corn exports stood at 6.5mt, up 16% from a similar period a year ago. Total grain exports have reached almost 3mt so far this month. Meanwhile, farmers have already planted 6.1m hectares (slightly ahead of last year) of winter crops from 98% of the planted area. In a separate release, the Ministry said the total grain harvest declined 3.8% YoY to 53.4mt for the period mentioned above. The above includes a wheat harvest of 22.4mt, in line with the previous year's crop. Corn harvest stood at 23.6mt, down from 24.9mt at the same stage last year, while soybean harvest rose 25% YoY to 6mt.

Recent estimates from the Western Australia Grain Association show that wheat harvest from the nation's top wheat-producing state could rise to a third-biggest harvest of 10.3mt for the 2024/25 season, slightly above the previous estimate of 9.3mt. The rise in estimates was largely driven by the better yields, despite dry weather conditions in the country. An unexpected increase in wheat exports from the country would help to reduce concerns about potential disruptions to shipments from the Black Sea region, due to the Russia-Ukraine war.

The latest CFTC data show that money managers increased their net short position in CBOT wheat by 6,239 lots for a second consecutive week to 51,546 lots as of 19 November, the most bearish bet since 27 August 2024. The move was dominated by increasing gross shorts by 15,614 lots. Similarly, speculators increased their net bearish bets in soybeans by 13,165 lots after reporting a decline for two consecutive weeks to 67,701 lots. The move again was led by increasing gross shorts by 13,559 lots to 176,921 lots. Meanwhile, the net speculative long position in CBOT corn rose by 4,639 lots for a third consecutive week to 114,628 lots (the most bullish bets since 21 February 2023) over the last reporting week, following a decrease in gross longs and gross shorts by 9,424 lots and 14,063 lots respectively.

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