

The Commodities Feed: Oil bounces back amid escalating geopolitical tensions

The oil market recovered this morning after trading lower in the latter half of last week amid escalating geopolitical risks



Energy – Oil bounces back

The oil market opened higher this week after trading soft for three consecutive days last week amid global tensions. ICE Brent prices recovered to around \$86/bbl this morning following a terrorist attack in Russia over the weekend. Meanwhile, continued drone attacks by Ukraine on Russian oil refineries keep the risk premium for the oil market higher.

Weekly data from Baker Hughes shows that US oil rigs fell by one rig over the last week, with the total oil rig count reaching 509 for the week ended 22 March 2024. The strength in oil prices will keep supporting the investments in oil exploration activities. Gas rigs fell by four to 112 over the reporting week, primarily due to suppressed gas prices. This was the lowest rig count since January 2022. The total rig count (oil and gas combined) stood at 624 over the reporting week, down from 629 a week earlier.

The latest positioning data from CFTC shows that speculators increased their net long position in NYMEX WTI by 50,072 lots, leaving them with net longs of 219,965 lots as of 19 March 2024. Similarly, money managers increased their net longs in ICE Brent by 54,830 lots after reporting declines for four weeks straight, leaving them with a net long position of 288,988 lots as of last Tuesday. This was the highest bullish bet since the week ending on 7 March 2023. In products, the net bullish bets for gasoline jumped to their highest level since August 2023 on increased supply

worries ahead of the US driving season. Speculators boosted the net longs for gasoline by 9,772 lots for a second consecutive week to 76,541 lots over the reporting week. Rising concerns over tightening supply along with the persistent uncertainty in the Middle East continue to support the uptrend in speculative bets.

Metals – Global steel output rises

Latest data from the World Steel Association (WSA) show that global steel production rose 3.7% year-on-year to 148.8mt in February, following higher output from major producing countries like China, India, Turkey, Brazil and Iran. Cumulatively, global output rose 3% YoY to 307mt over the first two months of the year. Chinese steel production increased 3.5% YoY to 81.2mt last month, while cumulative output rose 1.6% YoY to 168mt between January-February 2024. Meanwhile, output in India rose by 11.4% YoY to 11.8mt and production in Turkey jumped 46.6% YoY to 3.1mt in February.

In copper, the International Copper Study Group's (ICSG) latest update shows that the global copper market remained in a supply surplus of 84kt in January 2024, lower when compared to a surplus of 109kt during the same period last year. Global mine and refined copper production increased by 2.5% YoY and 5% YoY, respectively, while overall apparent refined demand increased by 6% YoY in the first month of the year.

Data from the Shanghai Futures Exchange (ShFE) shows that copper stocks decreased by just 1,305 tonnes over the last week, after rising for 11 consecutive weeks to 285,090 tonnes as of last Friday. In contrast, zinc stocks increased by 2,289 tonnes for the eighth consecutive week to 121,873 tonnes (the highest since the week ending 10 March 2023). Meanwhile, weekly exchange inventories for aluminium and lead fell by 3% and 20% respectively, while nickel stockpiles climbed 2.7% WoW to 20,713 tonnes (the highest since the first week of December 2020) at the end of last week.

The latest positioning data from the CFTC shows that speculators increased their net longs of COMEX copper by 30,724 lots for a second consecutive week to 39,270 lots as of 19 March 2024. This was the highest bullish bet since the week ending on 31 January 2023. The move was driven by rising gross longs by 29,888 lots to 99,829 lots. In precious metals, managed money net longs in COMEX gold decreased by 2,093 lots to 157,467 lots over the last reporting week. Speculators increased net longs of silver by 11,158 lots for a third consecutive week to 37,819 lots (the highest bullish bets since the week ending 19 April 2022) as of last Tuesday.

Agriculture – Net speculative bets for soybean and corn decline

The latest CFTC data shows that money managers reduced their net bearish bets in CBOT corn by 12,940 lots for a second consecutive week to 242,988 lots as of 19 March, the least bearish bets since the week ending on 9 January. The fall was led by a decrease in gross shorts by 18,874 lots, taking the total to 414,111 lots. Similarly, speculators decreased their net bearish bets in soybean by 6,798 lots to 148,339 lots over the reporting week. The move was fuelled by a drop in gross shorts by 6,921 lots, taking the total gross shorts to 204,506 lots. In contrast, the net speculative short positions in CBOT wheat rose by 1,700 lots to 80,570 lots over the last reporting week following an increase in gross longs and gross shorts by 3,276 lots and 4,976 lots respectively.

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