

The Commodities Feed: Oil fundamentals remain supportive

The oil market remains well supported on the back of constructive fundamentals, and Russia's ban on diesel and gasoline exports also adds support. The calendar this week is looking fairly quiet



Energy - Speculative appetite grows

The oil market has held relatively steady in recent days with tightness in the physical market coupled with Russia's recent export ban on diesel and gasoline offset by a fairly hawkish FOMC meeting last week. As a result, Brent continues to hold above US\$93/bbl. Speculators continue to become more constructive towards the market with the speculative net long in ICE Brent growing by 17,904 lots over the last reporting week to 265,531 lots as of last Tuesday. This is the largest net long speculators have held since March, and the increase over the week was predominantly driven by short covering. Similarly, speculators increased their net long in NYMEX WTI by 15,084 lots over the reporting week to 294,396 lots - the largest position held since February last year.

However, speculators cut their net long in ICE gasoil, which fell by 6,940 lots over the week to 59,359 lots as of last Tuesday. The current net long is likely somewhat larger than this, given the move seen in the gasoil market following Russia's ban on diesel and gasoline exports. [As we mentioned in our note last week](#), while the ban only reinforces our supportive view on middle distillates, we do not believe it will remain in place for long, given the domestic storage constraints

that will be soon faced by not allowing roughly 1MMbbls/d of diesel exports.

The latest data from Baker Hughes shows that the US oil rig count fell by 8 over the last week to 507. This is the first weekly decline in 3 weeks and sees a resumption in the fall we have seen for much of this year. The number of active oil rigs has fallen by 114 rigs since the start of the year. The fall in rig count this year is what has given OPEC+ the confidence to cut output without having to worry too much about losing market share to non-OPEC producers.

European natural gas prices managed to settle more than 9% higher over the course of last week. This is despite strike action at Australian LNG facilities coming to an end, along with Norwegian gas flows continuing to recover as capacity at the Troll field returns following maintenance. With EU storage almost 95% full and supply risks subsiding, we would expect to see some downward pressure on the front end of the curve.

Metals – Exchange inventories decline in China

Recent data from the Shanghai Futures Exchange (ShFE) shows that weekly inventories for all base metals fell over the last week. Copper stocks fell by 10,981 tonnes over the week to 54,165 tonnes, aluminium fell 14,377 tonnes to 90,293 tonnes, while nickel inventories declined by 11.8% WoW to 4,900 tonnes.

The latest LME data shows that total on-warrant stocks for aluminium reported outflows of 26,475 tonnes - the largest daily decline since 18 August. The majority of the outflows were reported in Gwangyang, South Korea and Port Klang, Malaysia warehouses. Meanwhile, cancelled warrants for aluminium rose by 25,225 tonnes for a second straight session to 277,625 tonnes at the end of last week, signalling potential further outflows.

The latest positioning data from the CFTC shows that managed money net longs in COMEX gold increased by 16,843 lots over the last week to 66,639 lots as of 19 September. The move higher was predominantly driven by short covering with the gross short falling by 11,419 lots. Meanwhile, speculators increased their net short in COMEX copper by 2,068 lots to 5,836 lots.

Agriculture–Ukraine’s grain harvest grows

The latest data from Ukraine’s Agriculture Ministry show that the domestic grain harvest for the season rose 14% year-on-year to 29.8mt as of 22 September. The Ministry said that the corn crop stood at 182.5kt (twice as much as the previous season), while the wheat harvest rose 16% YoY to 22.2mt. However, Ukraine is having difficulty in exporting this supply following the suspension of the Black Sea Grain Initiative. In a separate data release, Ukraine’s Agriculture Ministry reported that total grain exports for the season fell 17% YoY to 6mt as of 22 September. These shipments include 2.5mt (-39% YoY) of corn and 2.9mt (-19% YoY) of wheat.

China is planning to release 1.3mt of sugar from its reserves, primarily to increase domestic supplies and stabilise prices. Extreme weather conditions have reduced domestic output, and this has come at a time of high global prices.

The latest CFTC data shows that money managers increased their net short in CBOT corn by 9,906 lots to 144,815 lots as of 19 September. Meanwhile, speculators reduced their net long in CBOT soybeans by 27,983 lots to 45,832 lots. The move was fueled by a drop in gross longs. Finally, speculators increased their net short in CBOT wheat by 12,666 lots to 96,805 lots.

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