

# The Commodities Feed: Oil plunges along with other risk assets

Oil prices came under further pressure on Friday following a weaker-than-expected US jobs report hitting most risk assets. However, Geopolitical risks in the Middle East also continue to linger



Source: Shutterstock

## Energy – Speculators dump oil

The oil market has seen four consecutive weeks of declines and the sell-off last week was the most aggressive since early May. ICE Brent settled 5.32% lower last week, which saw the market close below US\$77/bbl, the lowest level since January. A [weaker-than-expected US jobs report](#) on Friday weighed heavily on risk assets. The release suggests that the US economy is slowing more rapidly than expected, raising recession fears. This only adds to Chinese demand concerns that have been lingering in the oil market for some time.

However, while there are growing demand concerns, geopolitical risks continue to hang over the oil market. Participants are waiting to see how Iran responds to the assassination of the political leader of Hamas on Iranian soil. Iran has blamed Israel for the assassination and has vowed that it will retaliate. While developments may lead to short-term volatility in the market, to see sustained strength, we would likely need to see some actual disruption to oil supply, which has been lacking so far.

Speculators have continued to become negative towards commodities and oil. The latest positioning data shows that speculators cut their net long in ICE Brent by 68,359 lots over the last reporting week to 77,990 lots as of last Tuesday. This is the smallest net long speculators have held since mid-June. However, given the sell-off since last Tuesday, the current net long is likely to be considerably smaller. Speculators also sold ICE gasoil over the last reporting week, reducing their net long by 11,422 lots to just 14,040 lots as of last Tuesday, the smallest net long held since January.

Saudi Arabia raised the official selling prices for its Arab Light into Asia by US\$0.20/bbl MoM to US\$2/bbl for September loadings. This comes after two consecutive weeks of cuts. The increase was not too surprising given the broader strength that we have seen in the Brent/Dubai spread over much of July. All grades to the US and Europe saw cuts in their OSPs for September loadings.

## Authors

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.