The Commodities Feed: Oil trades softer

Crude oil has been softer amid some optimism around the Israel-Hamas conflict. Speculators trimmed their net longs last week as supply risks in the Middle East have eased for now

Energy: Oil edges lower

- ICE Brent opened lower this morning with prices hovering around US$81.5/bbl on reports of easing worries over the Israel-Hamas conflict. Recent reports suggest that Iran held talks in recent days in Beirut, including with senior officials from Hamas to explore a diplomatic solution. Meanwhile, trading volumes were relatively subdued as the Chinese markets have been closed for the Lunar New Year Holidays. As for the calendar this week, market participants will await the release of the monthly reports from both OPEC and the International Energy Agency for further indications of supply and demand.
- Meanwhile, weekly data from Baker Hughes shows that the number of US oil rigs remained unchanged over the last week, with the total oil rig count standing at 499, whilst gas rigs rose by four, taking the total rig count (oil & and gas combined) to 623 for the week ended 9 February 2024. US oil rigs have remained quite flat since the start of the year and the volatility in oil prices could weigh on further rig additions over the coming weeks.
- The latest positioning data from CFTC shows that speculators decreased their net long position in NYMEX WTI by 55,265 lots after reporting two consecutive weeks of increases, leaving them with net longs of 94,963 lots as of 6 February 2024. Similarly, money

managers decreased their net longs in ICE Brent by 23,060 lots over the last week, leaving them with a net long position of 238,356 lots as of last Tuesday.
- TTF prices fell over 3% this morning and extended the declines for a third straight session as mild weather and strong import flows indicate that the region will end the winter season with comfortable storage levels. Recent data from Gas Infrastructure Europe shows that the EU storage levels currently stand at 67.8% of storage capacity compared to the five-year average of around 58%. Subdued economic activity along with warmer-than-average temperatures have allowed the region to restock, which is keeping gas prices under pressure.

Metals: Lead exchange inventories rise

- Recent LME data shows that exchange inventories for lead reported inflows of 6,250 tonnes (the biggest daily addition for the year) for a ninth straight session to 150,675 tonnes as of Friday, the highest since October 2017. The majority of the inflows were reported from warehouses in Singapore. Meanwhile, on-warrant stocks extended additions for a fifteenth consecutive session and rose by 6,250 tonnes to 132,950 tonnes at the end of last week. However, the cash/3m for lead stood at a backwardation of US$10.2/t as of Friday, compared to a backwardation of US$1.25/t a day earlier.
- As for nickel, Norilsk nickel maintained its 2024 supply surplus expectations for the global nickel market that it made at the end of November last year. The group expects the nickel market to encounter a surplus of 190kt this year, primarily due to an increased supply of low-grade nickel in Indonesia. Meanwhile, it is estimated that the drastic drop in nickel prices has forced some of the projects to shut down, which might decrease production and eventually reduce the market surplus slightly. Norilsk Nickel estimates a market surplus of over 250kt in 2023.
- Meanwhile, the latest positioning data from the CFTC shows that managed money net longs in COMEX gold increased by 10,615 lots (after reporting declines for four straight weeks) to 82,591 lots as of 6 February 2024. The move higher was driven by falling gross shorts by 6,376 lots. Among other precious metals, speculators flipped to a net short of silver (after remaining net long in the previous week) as short positions outnumbered long positions by 4,784 lots over the last reporting week. Meanwhile, speculators increased their net shorts of copper by 17,224 lots to 20,5554 lots over the last reporting week. The move was driven by rising gross shorts by 13,620 lots to 71,999 lots.

Agriculture: Brazil coffee shipments rise

- Brazil's total coffee exports rose 39% year-on-year to 3.96m bags (60 kg) in January, according to data released by Cecafe Group. The group said that the Arabica coffee exports rose 31% YoY to 3.2m bags, whilst Robusta coffee exports surged to 457.8k bags from just 75.8k bags a year earlier. The coffee exports continued to increase despite the disruption of freight through the Red Sea. However, the group expects that these shipping disruptions may impact coffee shipments in the upcoming months.
- Meanwhile, CFTC data shows that money managers increased their net bearish bets in CBOT corn by 17,593 lots for a sixth consecutive week to 297,744 lots as of 6 February, the most bearish bets since April 2019. The move was predominantly driven by rising short positions with gross shorts increasing by 24,208 lots to 466,569 lots. Similarly, the speculative net short position in CBOT soybeans increased by 22,053 lots for the last 12 straight weeks to

130,300 lots over the last reporting week, the highest since May 2019. The move was fuelled by a rise in gross shorts by 23,912 lots, taking the total gross shorts to 174,668 lots. Meanwhile, the net speculative short positions in CBOT wheat rose by 1,920 lots to 66,738 lots over the last reporting week, following an increase in gross shorts by 3,896 lots and gross longs rising by 1,976 lots.

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