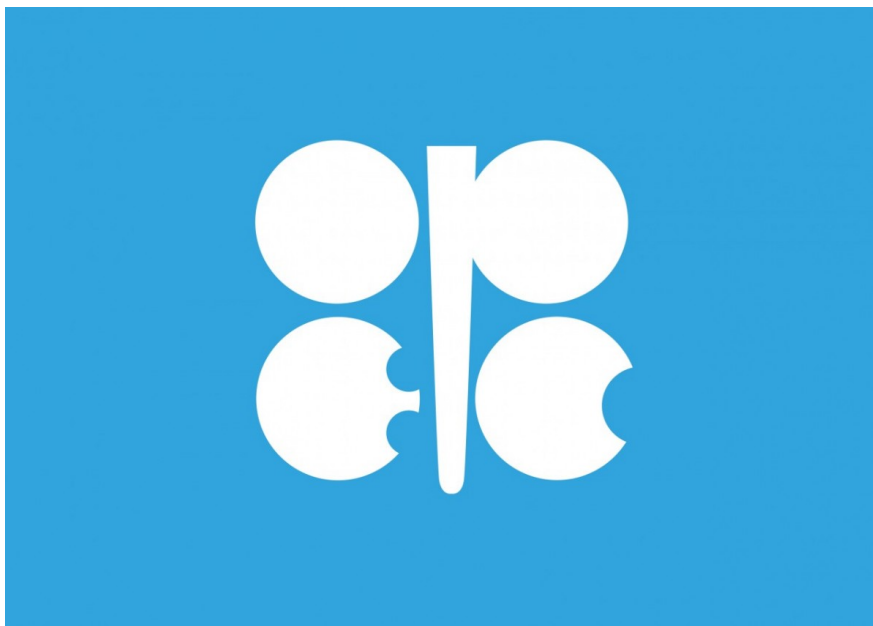


## The Commodities Feed: OPEC+ meeting

Oil prices remain under pressure ahead of the OPEC+ meeting this weekend. The weaker market suggests the group will fully rollover supply cuts at least into the third quarter



### Energy - speculative gross short builds in Brent

While oil prices managed to close higher on Friday, the market remains under pressure. ICE Brent was down more than 2.2% for the week. Weaker refinery margins will be a concern, while the dated Brent-to-frontline (DFL) swap is negative suggesting a weaker physical North Sea market. The recent weakness in the market increases the likelihood of a full rollover of OPEC+ additional voluntary cuts at least through the third quarter of this year. Expectations for such action are growing, so anything less will disappoint the market. However, fundamentally the market only needs to see a partial rollover, so there is a risk that OPEC+ overtightens the market in the third quarter of the year. OPEC+ was scheduled to meet on 1 June to discuss output policy, however, this meeting has been pushed back to 2 June and will also be a video conference rather than an in-person meeting.

The latest positioning data shows that speculators reduced their net long in ICE Brent by 67,252 lots over the week, leaving them with a net long of 146,250 lots as of last Tuesday. This is the smallest position speculators have held in Brent this year. The move in the week was driven fairly evenly by longs liquidating and fresh shorts entering the market. The gross short in Brent stood at

120,561 lots last Tuesday- the largest short since November 2020. A rollover of OPEC+ cuts would likely flush out some of these shorts.

Baker Hughes data shows that the US gas rig count fell below 100 last week for the first time since 2021. The number of active gas rigs fell by 4 over the week to 99. The US oil rig count was unchanged at 497 last week. Weaker natural gas prices have weighed on drilling activity for several months, which has started to weigh on US natural gas output. This has meant that the gap between current US storage levels and the 5-year average has started to narrow with storage building at a slower pace. This has supported Henry Hub recently. Speculators also shifted their positioning in Henry Hub from a net short to a net long over the last reporting week, after buying 27,156 lots to leave them with a net long of 14,455 lots.

The calendar this week for energy markets is fairly quiet. Both the US and UK are off today for a holiday, while there are just the usual weekly releases over the course of the week. However, all attention will be on OPEC+ which meets over the weekend.

## Metals – Speculators boost net long in gold

The latest positioning data from the CFTC shows that managed money net longs in COMEX gold increased by 21,030 lots to 193,972 lots over the last reporting week. This is the largest position that speculators have held in gold since April 2020. The significant rise in gold prices, strong central bank purchases, stronger Asian demand and geopolitical uncertainty are supporting these flows. In contrast, speculators decreased their net long in COMEX silver by 3,918 lots to 37,703 lots as of last Tuesday. Unsurprisingly given the move in copper prices in recent weeks, speculators also increased their net long in COMEX copper by 2,557 lots to 75,342 lots as of 21 May - the largest net long since February 2021.

Weekly data from the Shanghai Futures Exchange (ShFE) shows that inventories for base metals remained mixed over the last week. Copper weekly stocks rose by 9,944 tonnes to 300,964 tonnes - a seasonal record high. Nickel inventories increased by 1,209 tonnes to 25,699 tonnes, while aluminium, zinc, and lead inventories fell by 0.3%, 1.1% and 24.2%, respectively.

Steel inventories at major Chinese steel mills rose for a second consecutive week to 16.8mt in mid-May, up 3.4% compared to early May, according to data from the China Iron and Steel Association (CISA). Steel inventories are 3.5% higher than in the same period last year. Crude steel production at major mills rose by 0.8% from early May to 2.21mt/d in mid-May, the highest in nine months.

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