

The Commodities Feed: Rangebound trading for oil

While oil prices strengthened yesterday, they remain relatively rangebound as the market waits for further clarity on OPEC+ output policy. The outlook for the European natural gas market remains bearish despite the growing speculative long



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Energy – OPEC release

Oil prices edged higher yesterday. Brent settled 0.69% higher on the day. However, prices continue to trade in a fairly narrow range, a trend seen since the start of the month. The lack of price direction more recently is no surprise given the uncertainty over what OPEC+ members may do with their additional voluntary supply cuts. [Recent comments](#) from Iraq's oil minister only add to this uncertainty. In addition, Brent has been facing some technical resistance along the 200-day moving average.

The EIA released its latest Drilling Productivity Report yesterday, which showed that drillers increased their drilled but uncompleted well (DUCs) inventory for the second consecutive month in April. The number of DUCs increased by six in April to 4,510. This is the first back-to-back increase in DUC inventory since late 2022. The increase in inventory is driven by lower completion rates,

rather than a significant increase in drilling. The EIA also forecasts the US shale oil production will grow by 17k b/d month-on-month to 9.85m b/d in June. The Permian is expected to drive almost all of this increase. US shale gas output is expected to fall 330mcf/day to 99.2bcf/day. The low gas price environment has weighed on drilling activity, which in turn will weigh on natural gas output.

European natural gas prices have come under renewed pressure. Front-month TTF futures broke below EUR30/MWh, after settling 1.5% lower yesterday. Fundamentals remain bearish for the European market given the comfortable storage levels and the expectation that the region will hit full storage ahead of next winter. Storage is 64% full at the moment. The comfortable storage situation is at odds with speculative flows into the market. Speculators have increased their net long to the highest since February 2022. The buildup of a large speculative long in a bearish market increases the risk of an aggressive pullback in prices.

OPEC will release its latest monthly market report today. The release will include OPEC production numbers for April and the group's latest outlook for the oil market. This will be important in the lead-up to the Joint Ministerial Monitoring Committee meeting in early June. Last month, OPEC forecasted global oil demand to grow by 2.25m b/d in 2024 and 1.85m b/d in 2025. As a result, this left demand for OPEC supply in 2024 at 28.5m b/d and 29m b/d in 2025. These numbers are well above the 26.6m b/d that OPEC produced in March. However, OPEC does have much more aggressive demand growth forecasts than the IEA and the EIA.

Metals – China announces supportive measures

Industrial metals moved higher yesterday with copper hitting its highest level since April 2022 amid optimism over fresh stimulus from China, while concerns over supply continue to support. Copper has now climbed around 19% so far this year. Earlier, Chinese authorities announced supportive measures for the struggling property sector by scrapping all the remaining curbs on residential purchases in major cities – Hangzhou and Xi'an.

In its latest update, the World Platinum Investment Council (WPIC) forecasts the global platinum market supply deficit to deepen to 476koz in 2024 from previous expectations of 418koz amid strained mine supply and stable automotive demand. The global platinum market saw a supply deficit of 851koz in 2023. Total consumption is expected to decline by 5% year-on-year to 7.59moz, while global supply is forecast to fall by 1% YoY to 7.11moz in 2024. The group forecasts automotive demand for platinum to rise 2% YoY to 3.23moz, while industrial demand is expected to fall 15% YoY to 2.24moz. Jewellery demand is forecast to rise 6% YoY to 1.98moz, while ETF demand is expected to remain under pressure.

Agriculture – US corn plantings remain weak

The USDA's weekly US crop progress report for the week ending 12 May shows that corn plantings continued to lag the five-year average. The agency reported that domestic corn plantings stood at 49% complete, up from 36% planted last week, however below the 60% planted a year ago and the five-year average of 54%, as wet conditions across parts of the Corn Belt continue to impact plantings. US soybean plantings are 35% complete as of 12 May, compared to 45% a year ago and the five-year average of 34%. The agency also rated around 50% of the winter wheat crop in good-to-excellent condition, unchanged from a week ago, but still above the 29% seen at the same stage last year.

The USDA's weekly export inspection data for the week ending 9 May shows that US soybean and

wheat shipments rose while corn exports eased over the last week. Export inspections for corn stood at 937.7kt over the week, lower than 1,299kt in the previous week and 1173.8kt reported a year ago. US wheat export inspections stood at 366.3kt, up from 338.9kt a week ago and 263.4kt seen last year. For soybeans, US export inspections came in at 406.1kt, compared to 358.1kt a week ago and 190.4kt reported a year ago.

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