

The Commodities Feed: Risk-off mode

The commodities complex came under pressure this morning amid weakness across risk assets



Energy – Oil slides

- The oil market opened lower this morning after settling higher at the end of last week amid a subdued demand outlook and mixed macro picture despite the ongoing Middle East tensions. Last week, the IEA highlighted its concerns over slowing global oil demand and higher non-OPEC supply leaving the oil market in a surplus for the year. However, the ongoing attacks on shipping in the Red Sea and the ongoing Israel-Hamas war are limiting any major downside for oil prices.
- Meanwhile, weekly data from Baker Hughes shows that the US oil rigs fell by two rigs over the last week, with the total oil rig count standing at 497, while the gas rigs remained unchanged, taking the total rig count (oil & and gas combined) to 621 for the week ending 16 February 2024. The volatility in the oil and gas prices is currently weighing on the rig additions.
- The latest positioning data from CFTC shows that speculators increased their net long position in NYMEX WTI by 20,695 lots after reporting two consecutive weeks of increases, leaving them with net longs of 115,658 lots as of 13 February 2024. Similarly, money managers increased their net longs in ICE Brent by 37,681 lots over the last week, leaving them with a net long position of 276,037 lots as of last Tuesday, the highest since March

2023. The move was dominated by the rising gross long positions which increased by 32,110 lots to 341,683 lots over the reporting week, the highest since October 2021. The extended conflict in the Middle East is posing a continuous threat to the oil supplies resulting in rising money managers' bullish bets for oil.

- Natural gas started the week on a soft note again, with Henry Hub front-month contract trading down around 4% as a warmer winter in the US keeps demand low for the heating fuel. The Climate Prediction Center estimates warmer than usual weather for most of the US over the next month, and that could result in smaller than average inventory withdrawal over the next few weeks. Meanwhile, some of the gas producers have started to trim expectations on gas production, although the impact is limited for now given ample supplies and softer demand.

Metals – Risk-off sentiment weighs on the complex

- Industrial metals are mostly lower this morning, while gold edged higher, with the market remaining cautious ahead of the release of the FOMC meeting minutes. Meanwhile, the return of the Chinese market after a week-long break might increase trading volumes today.
- In zinc, exchange inventories reported inflows of 5,000 tonnes, the eighth straight session of inflows, with inventory rising to 264,825 tonnes as of Friday, according to the recent data published by LME. This was the lengthiest series of daily additions since August 2015. The majority of the inflows were reported from warehouses in Singapore. Net inflows for the month until Friday stood at 65,400 tonnes, in comparison to net outflows of 19,125 tonnes during the same time last month. Meanwhile, on-warrant stocks also extended additions for an eighth consecutive session and rose by 5,175 tonnes to 234,525 tonnes as of yesterday. The cash/3m spread for zinc slipped into a deeper contango of US\$27.7/t at the end of last week, compared to a contango of just US\$9.7/t at the start of the month, indicating ample supply availability in the physical market.
- Lastly, the latest positioning data from the CFTC shows that speculators increased their net shorts of copper by 21,755 lots for a second consecutive week to 42,309 lots as of 13 February 2024, the most bearish bets since March 2020. The move was driven by rising gross shorts by 23,826 lots to 95,825 lots. In precious metals, managed money net longs in COMEX gold decreased by 36,191 lots to 46,400 lots over the last reporting week, the least bullish bets since the week ending on 17 October 2023. The move lower was driven by falling gross longs by 17,823 lots and rising gross shorts by 18,368 lots. Meanwhile, speculators increased net short of silver by 4,848 lots for a second consecutive week to 9,632 lots as of last Tuesday.

Agriculture – France lowers soft-wheat crop ratings

- Recent data from France's Agriculture Ministry shows that 68% of the soft wheat crop is rated in good to excellent condition as of 12 February, in line with the previous week but well below the 93% seen at the same stage last year. The country's soft wheat crops remained at their worst in four years due to a rain-disrupted sowing campaign.
- The latest CFTC data show that money managers increased their net bearish bets in CBOT corn by 16,597 lots for a seventh consecutive week to 314,341 lots as of 13 February, the most bearish bets since April 2019. The rise was led by an increase in gross shorts by 22,618 lots, taking the total to 489,187 lots. Similarly, speculators increased their net bearish bets

for CBOT soybeans by 4,200 lots for the 13th straight week to 134,500 lots over the last reporting week, the highest since May 2019. The move was fuelled by an increase in gross shorts by 8,880 lots and gross longs rising by 4,680 lots. In contrast, net speculative short positions in CBOT wheat fell by 11,066 lots to 55,672 lots over the last reporting week, following an increase in gross longs and a decline in gross shorts by 4,215 lots and 6,851 lots respectively.

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