

The Commodities Feed: Saudi Arabia's divergent views on oil pricing

The oil market eased this morning as it awaits further developments in the Middle East. Meanwhile, Saudi Arabia lowered its official selling price for European buyers and pushed up its prices for Asian buyers



Energy – Saudi raises OSPs for Asian buyers

Oil prices eased this morning as traders await new developments in the Middle East. US President Joe Biden is reportedly discouraging Israel from planning a strike on Iran's crude oil facilities (in response to Iran's missile attack last week). According to OPEC's latest monthly oil market report, Iran has been producing around 3.3m bbls/d and any disruption to this supply could create shortages in the oil market.

Saudi Arabia raised its Official Selling Prices (OSP) for buyers in Asia for November loadings while trimming prices for European and US buyers. For its Arab Light crude oil, Aramco raised the premiums by US\$0.90/bbl for Asian buyers to US\$2.2/bbl. The market expected a smaller increment of around US\$0.65/bbl. Meanwhile, OSPs for all grades to Europe saw cuts of US\$0.9/bbl for November loadings, possibly in an effort to regain market share in the European market. The divergent price views for different regions may also hint at expectations of local imbalances in the oil market.

Drilling activity in the US remained weak over the last week. The latest rig data from Baker Hughes shows that the number of active US oil rigs decreased by five over the week to 479, the lowest

since mid-July. The total rig count (oil and gas combined) stood at 585 over the reporting week, down from 587 a week earlier. This was also lower compared to the 619 rigs seen this time last year. Meanwhile, primary Vision's frac spread count, which gives an idea of completion activity, also dropped by two over the week to 236.

Turning to speculative bets, the managed money net long position in NYMEX WTI decreased by 20,688 lots after rising for two previous consecutive weeks to 141,240 lots for the week ending 1 October 2024. The move was driven by rising shorts with gross short positions increasing by 14,102 lots to 62,643 lots over the reporting week. In contrast, speculators increased net longs in ICE Brent by 20,013 lots for a third straight week, leaving them with net longs of 41,782 lots as of 1 October 2024. The move was driven by a combination of shorts liquidating and fresh longs. In refined products, the net bullish bets for gasoline rose by 1,883 lots for a third consecutive week to 25,762 lots over the reporting week, the highest since the week ending 16 July 2024.

Metals – Chinese copper smelters warn of closures

Copper smelters in China are warning about potential shutdowns if processing fees drop too sharply. The comments came following the ongoing annual supply negotiations with key miners. There are suggestions that the processing fees are expected to fall to a level where smelters will struggle to secure their profit margins. The refined market might witness some tightness in the near term if smelters start reducing/halting refining activities. Copper treatment charges were set at US\$80/t for the current year, however the recent estimate from Bloomberg shows that the charges could fall between US\$20-40/t for the next year.

Meanwhile, the People's Bank of China didn't add gold to its reserves for the fifth month straight in September. Bullion held by the PBoC was unchanged at 72.8 million troy ounces at the end of last month, according to official data. China has seen a slowdown in gold purchases over recent months. China's central bank ended an 18-month buying spree in May that had driven gold prices to record highs. High gold prices have likely deterred further purchases for now.

The latest positioning data from the CFTC shows that speculators increased their net longs of COMEX copper by 4,024 lots for a fourth consecutive week to 41,127 lots as of 1 October 2024. The move was driven by rising gross longs by 9,385 lots, although gross shorts also increased by 5,361 lots. In precious metals, managed money net longs in COMEX gold decreased by 5,881 lots to 248,960 lots over the last week after reporting gains for three previous consecutive weeks. Similarly, speculators decreased net longs of silver by 7,709 lots to 38,379 lots as of last Tuesday after previously reporting gains for three consecutive weeks.

Agriculture – Vietnam coffee shipments fall

The General Statistics Office of Vietnam released the trade volume estimates for September, which show that coffee shipments rose to 52kt, up 3% compared to 50.9kt reported a year ago. However, cumulative coffee exports have dropped by 11.5% year-on-year to 1.1mt over the first nine months of this year. The decline in exports could be largely attributed to the drought conditions in the country.

The latest data from the Brazilian Trade Ministry shows that Brazil's soybean exports fell 4.5% YoY to 6.1mt in September. China has taken steps to protect domestic farmers by limiting the overseas purchases of grains as the domestic warehouses have plenty of grains; this could have weighed on Brazil's exports. Similarly, corn exports fell to 6.4mt for the period, down 26.6% compared to a year

ago.

Recent data from France's Agriculture Ministry shows that 1% of soft wheat has been planted as of 30 September, slightly lower than the five-year average. Meanwhile, 2% of the corn crop has been harvested, significantly down from the five-year average of 26%, while 79% of the corn crop is in good condition for the above-mentioned period, in line with the previous week and below the 83% seen at the same stage last year.

The latest CFTC data show that money managers decreased their net short position in CBOT corn significantly by 63,000 lots for a second consecutive week to 67,699 lots (least bearish since 8 August 2023) as of 1 October. The move was dominated by falling shorts positions with gross shorts decreasing by 59,956 lots to 266,155 lots. Similarly, speculators reduced their net bearish bets in wheat by 3,516 over the last week, leaving them with a net short position of 22,953 lots, the least bearish bets since 18 October 2022. The net speculative short positions in CBOT soybean fell drastically by 40,092 lots for a sixth consecutive week to 34,886 lots over the last reporting week following a fall in gross shorts by 23,864 lots to 111,765 lots.

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