# The Commodities Feed: Sentiment sours

Oil prices are under increasing downward pressure as sentiment sours. Friday's sell-off in US equities only added to the weakness in energy markets

## Energy- Speculators trim oil positions

Oil prices sold off heavily on Friday, with ICE Brent settling 2.68% lower on the day and WTI briefly trading below US$70/bbl this morning for the first time this year. Recent weakness in prices comes amid intensifying noise about where OPEC+ will take supply levels. The group is currently cutting supply by 2.2m b/d. It's scheduled to bring this supply back onto the market gradually from April. However, there are suggestions that OPEC+ is considering a delay.

Any delay would lead to a change in the oil balance, leaving the market relatively tighter than we expected. Any delay would also likely not go down well with President Trump, who's calling on OPEC+ to increase supply.

The latest positioning data suggests market sentiment turning negative, with speculators cutting positions in ICE Brent by 23,931 lots. This left them with a net long of 265,223 lots as of last Tuesday. Driving the move is a combination of longs being liquidating and fresh shorts entering the market. Trade and tariff concerns, along with a push for a peace deal between Russia and Ukraine, will weigh somewhat on the market.

Middle distillates, meanwhile, are garnering better support in the market. The ICE gasoil crack spread is holding above US$20/bbl, while the prompt timespread has moved into deeper backwardation. The spread is trading at more than US$14/t. In addition, speculators have become more constructive towards the market. Recent positioning data shows speculators bought 14,222 lots of ICE gasoil over the last reporting week, leaving them with a net long of 20,872 lots as of last Tuesday. Stronger natural gas prices and colder weather through parts of the northern hemisphere may be providing support for middle distillates demand. While gasoil stocks in the ARA region fell by 36kt last week, according to Insights Global, they remain at a very comfortable level of 2.54mt.

## Agriculture – Cocoa under pressure

London cocoa came under additional pressure on Friday, with the front-month contract falling more than 7.6% to settle at a little over GBP7,300/t. This is the lowest level since November. However, prices remain historically high, raising concerns over demand destruction. Given the tightness in the cocoa market, demand destruction may help return some balance to the market. Prices are likely to continue trading in a volatile manner.

Weekly positioning data from the CFTC show money managers trimmed their net short position in wheat by 21,232 lots to 61,577 lots as of 18 February. The move was mostly driven by short covering, with gross shorts decreasing by 26,733 lots to 132,334 lots. As for corn, managed money net longs rose by 21,144 lots to 353,533 lots over the last reporting week.

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