The Commodities Feed: Specs reduce oil net long

Oil finished last week on a strong footing, however, it has come under some pressure in early morning trading today. Trading is likely to be thinner than usual at the start of the week due to Independence Day in the US on Tuesday

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Energy - specs trim their net long

Having had a relatively strong end to the week, which saw Brent settle back above the US$75/bbl level, the oil market is under some pressure in early morning trading today. We may have officially moved into the second half of the year, but the market still has the same concerns which plagued it over much of the first half of the year. And the biggest problem at the moment is the uncertain demand outlook.

Speculators are clearly still hesitant about the outlook and this was reflected in the latest positioning data, which shows that speculators reduced their net long in ICE Brent by 30,586 lots to 159,800 lots over the last reporting week. This was driven by a combination of longs liquidating and fresh shorts entering the market. The gross short position increased by 18,331 lots. CFTC data also showed that speculators cut their net long in NYMEX WTI by 35,257 lots over the last reporting week, leaving them with a net long of just 71,543 lots. This is the smallest net long speculators have held in WTI since March when we saw prices trading briefly below US$65/bbl.

Given the strength in the domestic gasoline market, Russia is reportedly looking to take measures to increase domestic supply. The deputy prime minister has told oil companies to prioritise the domestic market over exports. If the situation requires it, the government will look into potentially imposing export quotas for the fuel. This is not the first time that there have been suggestions of export limits. There was noise back in May that the government could take such action.

Bloomberg reports that this week, the US Department of Energy (DoE) will announce its intention for further purchases of crude oil for the Strategic Petroleum Reserve after the significant releases seen through 2022. So far this year, the DoE has tendered for around 6MMbbls of crude oil and there are suggestions that the DoE will look to buy in the region of 12MMbbls over the course of the year.

As for the calendar this week, OPEC's International Seminar kicks off on Wednesday and will run for 2 days. We can expect to hear further noise around OPEC+ policy during the event, with the Saudi energy minister set to give a speech. It is also expected that Saudi Aramco will announce its official selling prices for August loadings sometime this week, and there is also the potential for further news on whether Saudi Arabia will roll over its additional voluntary cut of 1MMbbls/f into August. The market is expecting that they will do so.

Metals – Chile copper output declines

The latest data from the National Statistics Institute of Chile shows that domestic copper output contracted for a second consecutive month by 1.1% MoM and 14% YoY to 413kt in May following a series of operational issues. Cumulative output declined 4.7% YoY and totalled 2.1mt in the first five months of the year. Meanwhile, recent reports suggest that Codelco halted mining activities at its El Teniente copper mine in Chile on Friday, following an accident at the mine while installing a generator.

In aluminium, the latest LME data shows that on-warrant stockpiles rose by 13,725 tonnes (the biggest daily addition since 23 May) to 271,475 tonnes on Friday. Most of the rise came from warehouses in Gwangyang, South Korea. Net outflows for June were still higher at 126,025 tonnes, compared to outflows of 94,175 tonnes a month earlier. Total LME exchange inventories for aluminium rose by 11,925 tonnes to 543,150 tonnes on Friday, after having declined for seventeen consecutive sessions.

Weekly data from Shanghai Futures Exchange (ShFE) show that inventories for base metals remained mixed over the last week. Aluminium weekly stocks fell by 32,994 tonnes (-25% WoW) to 98,079 tonnes (the lowest since the start of the year). Copper inventories rose by 7,889 tonnes (+13% WoW) to 68,313 tonnes, while nickel inventories declined by 319 tonnes (-9.2% WoW) to 3,133 tonnes at the end of last week.

Agriculture–USDA sees soybean acreage falling

In its latest Prospective Plantings report, the USDA estimates soybean plantings will drop significantly while corn acreage will rise this year. The agency projects 2023 soybean acreage at 83.5m acres, significantly lower than the March estimate of 87.5m acres and the market expectation of 87.7m acres. The US planted 87.5m acres of soybeans in 2022. In contrast, the

USDA projects 2023 corn plantings to reach 94.1m acres (the highest since 2013), which is higher than the March estimate of 92m acres and the 88.6m acres planted in 2022. The market was expecting a number closer to 91.9m acres. Wheat planting estimates were trimmed to 49.6m acres, which was in line with expectations, and down from the 49.9m acres projected in March but higher than the 45.7m acres planted in 2022. CBOT futures were quick to react to the unexpected numbers with CBOT soybeans settling more than 6% higher on Friday, whilst CBOT corn settled more than 6% down on the day.

The USDA also released its quarterly stocks report (as of 1 June) last week, which showed a drop in US grain inventories. The agency reported corn inventories at 4.11bn bushels, down 6% YoY and lower than the market expectation of around 4.25bn bushels. For soybeans, the agency reported inventories of 796m bushels, down 18% YoY and below market expectations of around 805m bushels. Similarly, wheat inventories were reported at 580m bushels, down 17% YoY and lower than the 613m bushels the market was expecting.

The latest CFTC data shows that money managers reduced their net bearish bets in CBOT wheat by 31,966 lots to 52,168 lots as of 27 June, the lowest in seven months. The move was predominantly driven by a 33,030 lot reduction in the gross short position. Speculators cut their net long position in CBOT corn by 5,454 lots to 52,845 lots over the last reporting week. Meanwhile, speculators increased their net long in CBOT soybeans by 22,530 lots to 99,480 lots as of last Tuesday. Given the price action last Friday, it is likely the next positioning report will show a further boost in the soybean net long and a further reduction in the corn net long.

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