The Commodities Feed: Speculative interest in precious metals continues

Speculators continued to build long positions in precious metals as geopolitical risks in the Middle East, the Federal Reserve's rate cut cycle and prospects of stronger festival demand in India keep the sentiment positive

Energy – ICE Brent recovers further

ICE Brent recovered to above $75/bbl this morning after falling to a low of below $70/bbl earlier in the month. Escalating tensions in the Middle East bring back risk premium in the oil market, although demand concerns remain. Meanwhile, sentiment from China appears to be improving somewhat after the People's Bank of China lowered the reverse repo rate by 10bp along with the possibility of other measures to support economic growth.

China has issued the third and possibly final batch of export quota for oil products for the current year. China has approved 8mt of exports of gasoline, diesel and jet fuel in the latest quota, pushing the total approved exports limit to 41mt for the current year, marginally higher than the 40mt limit set for 2023. Additionally, China has also issued 1mt of export quota for low-sulphur fuel oil with a cumulative quota of around 13mt for the current, down 2% year-on-year.

The latest positioning data shows that speculators returned to the oil market at lower prices. After a sharp fall over the preceding two weeks, the managed money net long position in NYMEX WTI increased by 28,201 lots over the last week. Similarly, speculators trimmed net shorts in ICE Brent by 4,539 lots over the week to leave them with net shorts of 8,141 lots as of 17 September. On the other hand, speculators remained bearish on refined products with speculative net shorts in NYMEX heating oil increasing by 6,828 lots over the last week to a record high of 45,437 lots.

Recent numbers from the International Aluminium Institute (IAI) show that monthly aluminium output rose 1.2% YoY to 6.18mt last month amid higher production from almost all major producing countries. Cumulative production rose 3.2% YoY to 48.2mt over the first eight months of the year. Chinese output is estimated to have increased 1.3% YoY to 3.7mt in August, while year-to-date production rose 4.4% YoY to 28.7mt. Meanwhile, aluminium production in Asia (ex-China) rose 3% YoY to 408kt in August. Production in Western and Central Europe also increased by 5.7% YoY to 243kt last month.

The latest data from China Customs show that gold imports in China fell significantly by 83% YoY to 20.9t (for the third month straight) in August, as record prices amid geopolitical risks weighed on purchases. This was the lowest monthly purchase since February 2021. Meanwhile, cumulative gold imports stood at 965t in January-August 2024, down 5.5% YoY.

Weekly data from the Shanghai Futures Exchange (ShFE) shows that inventories for base metals remained mixed over the last week. Copper weekly stocks fell by 20,582 tonnes (-11% week-on-week) for the 11th consecutive week to 164,938 tonnes as of Friday, the lowest since the week ending 9 February 2024. Amongst other metals, nickel inventories decreased by 1,169 tonnes to 22,845 tonnes, while lead, zinc, and aluminium inventories rose by 18.5%, 4.8%, and 1% respectively.

The latest positioning data from the CFTC shows that managed money net longs in COMEX gold increased by 25,919 lots for a second consecutive week to 252,628 lots as of 17 September. This is the largest position that speculators have held in gold since March 2020. There has been a significant rise in gold prices as the Federal Reserve started its interest rate cut cycle with a significant 50bp cut at its recent meeting, which supported these flows. Similarly, speculators increased their net long in COMEX silver by 15,222 lots for a second consecutive week to 42,312 lots as of last Tuesday, which is the largest position speculators have held since April 2022. Speculators also increased their net long in copper by 4,718 lots to 22,338 lots over the last reporting week.

Agriculture - Ukraine grain harvest grows

Recent numbers from Ukraine's Agriculture Ministry show that the domestic grain harvest so far this season rose 7% YoY to 31.9mt as of 20 September. The increase was driven largely by corn, with the harvest increasing to 2.4mt from 182.5kt over the same period last year. Similarly, the soybean harvest stood at 2.6mt, (twice as much as the previous season), while the wheat harvest rose marginally to 22.3mt.

The latest data from France's Agriculture Ministry shows that 80% of the corn crop is rated in good to excellent condition as of 16 September, in line with the previous week, but below the 81% seen at the same stage last year.

The latest CFTC data show that money managers decreased their net short position in CBOT wheat by 4,364 lots for a third consecutive week to 25,033 lots (least bearish bets since 21 May 2024) as of 17 September. The move was dominated by falling gross longs and gross shorts by 2,659 lots and 7,023 lots respectively. Similarly, speculators decreased their net bearish bets in soybeans by 8,186 lots over the last week, leaving them with a net short position of 122,415 lots. The move was predominantly driven by falling short positions with gross shorts decreasing by 4,525 lots to 171,661 lots. Meanwhile, the net speculative short positions in CBOT corn rose by 2,680 lots after declining for three consecutive weeks to 134,814 lots over the last reporting week following a decrease in gross longs by 2,128 lots to 206,335 lots.

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