

The Commodities Feed: Speculators head for the exit

The complex came under pressure last week as speculators headed for the exit. The oil market will be keeping a close eye on the OPEC+ meeting later this week in case there are any signals of a change in output policy following the more recent price weakness



Energy – Speculators dump oil

Oil prices traded lower for a third consecutive week. ICE Brent settled 1.82% lower over last week and with the market trading at a little over US\$81/bbl, it's not too far away from the key psychological US\$80/bbl level. Speculators have turned increasingly negative towards the oil market. The latest positioning data shows that speculators reduced their position in ICE Brent by 37,541 lots over the last reporting week, leaving them with a net long of 146,349 lots as of last Tuesday. Speculators also cut their net long in NYMEX WTI by 24,312 lots to 239,237 lots. Concerns over Chinese demand have led to these speculative outflows. While this is not isolated to oil, metals have also seen heavy speculative selling recently on the back of China worries.

The weakness in the market comes ahead of the OPEC+ Joint Ministerial Monitoring Committee meeting, which will be held on Thursday. The meeting will be held online, and while the committee is not expected to recommend any changes to output policy, the more recent weakness would be

a concern, particularly if we were to see Brent break below US\$80/bbl. However, if there are any surprises, they would likely come in the form of delaying the start of the gradual easing in supply cuts, which is set to start in October.

The latest rig data from Baker Hughes shows that the number of active US oil rigs increased by 5 over the week to 482, which is the largest weekly increase since mid-April. However, the trend in drilling activity is still largely downwards and suggests that a drawdown in drilled but uncompleted wells is helping to sustain production growth. Meanwhile, Baker Hughes data shows that the number of active US gas rigs fell by two week-on-week to 101.

European natural gas prices strengthened towards the end of last week. TTF settled 2.19% higher on Friday. An outage at the Ichthys LNG export facility in Australia appears to have provided some support to prices. One of the two trains at the plant has been offline since last Thursday following an unplanned outage. The Ichthys plant is made up of two trains with a total capacity of 8.9mtpa. However, while there are supply disruptions from Australia, the feed gas supply to the Freeport LNG facility in the US has recovered following the disruptions related to Hurricane Beryl. EU natural gas storage continues to edge higher, standing at a little more than 84% full, above the 5-year average of 75%.

Metals – Speculators cut copper long

The latest data from CFTC shows that speculators cut their net long in COMEX copper significantly over the last week. The managed money net long position fell by 22,180 lots to 19,515 lots as of last Tuesday. A move which was dominated by longs liquidating. Speculators have held their smallest position in COMEX copper since early April.

Shanghai Futures Exchange (SHFE) inventory data shows that weekly inventories for most base metals fell over the reporting week. Copper stocks fell by 7,979 tonnes (-2.6% WoW) for a third consecutive week to 301,203 tonnes, while aluminium inventories decreased by 0.6% WoW to 264,158 tonnes. Zinc and nickel stocks fell 5.1% WoW and 1.7% WoW respectively over the week.

Agriculture – France soft wheat harvest slows

Recent data from France's Agriculture Ministry shows that 41% of the soft wheat harvest was completed as of 22 July, compared to 76% over the same period last year. Meanwhile, 50% of the soft wheat crop is rated in good to excellent condition below the 78% seen at the same stage last year.

The latest CFTC data shows that money managers decreased their net bearish bets in CBOT corn by 24,847 lots to 318,549 lots as of 23 July. The move was dominated by falling short positions with gross shorts decreasing by 18,454 lots to 477,155 lots. Similarly, the net speculative short position in CBOT soybeans fell by 22,091 lots to 163,659 lots, which was also driven by a fall in the gross short position.

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