

## The Commodities Feed: Speculators remain cold towards the complex

The market has moved on from last week's lower-than-expected CPI print. Instead a stronger USD has weighed on much of the commodities complex, whilst Chinese data released this morning has not helped. Sentiment in the market is still fairly negative, which was well highlighted in Friday's Commitment of Traders report



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### Energy - little in the way of bullish catalysts for oil in the short term

While the oil market ventured above US\$100/bbl last week, this was short-lived. ICE Brent failed to successfully break above this level, which saw it fall back below the 200 day moving average. A rebound in the USD would have also provided little support. Sentiment in the oil market remains fairly negative. This is reflected in market positioning data, which shows that speculators continue to reduce their net long. Over the last reporting week, speculators reduced their net long in ICE Brent by 22,498 lots to 137,680 lots as of last Tuesday. This is the smallest net long seen since November 2020. Similarly NYMEX WTI saw speculators cut their net long by 25,653 lots to 166,782 lots- the smallest net long in WTI since April 2020.

Not helping the oil market this morning is Chinese output data for July, which showed that domestic refiners processed the least crude oil since March 2020, whilst apparent oil demand also fell, by almost 10% YoY. Clearly, given China's covid policy, Chinese oil demand remains a downside risk for the market. In addition, on the supply side, it appears as though there is some progress with the Iranian nuclear deal. This follows reports that Iran found the EU's proposal acceptable, assuming they receive guarantees on some issues.

## Metals - weak China data puts pressure on the metals complex

The metals complex has come under pressure in early trading this morning. A rebound in the USD is certainly not helping, whilst reports that China's Covid-19 cases rose to a three month high will be weighing on sentiment.

Data out of China this morning will only be putting further pressure on metals. Retail, industrial production and investment numbers all came in below market expectations, whilst the property market remains a real concern, with YTD residential property sales falling by 31.4%.

The latest CFTC data also shows that speculators remain bearish towards copper. Speculators increased their net short in COMEX copper by 1,611 lots over the last reporting week, to leave them with a net short of 19,326 lots as of last Tuesday.

## Agriculture - tighter corn balance sheet

Friday's WASDE report was constructive for the corn market due to revisions lower in both US and EU corn supply. 2022/23 global corn ending stocks were revised down from 312.9mt to 306.7mt. This revision lower was driven by production, where global output estimates were lowered from 1,185.9mt to 1,179.6mt. The US and the EU drove this decline, with supply estimates lowered by 3.7mt and 8mt respectively. These supply losses were partly offset by revisions higher from Ukraine. Ukrainian output estimates were increased by 5mt to 30mt, whilst exports were increased by 3.5mt. There is still plenty of uncertainty over how Ukrainian export volumes will evolve, despite the Ukraine/Russia grain deal.

The release was neutral to slightly bearish for soybeans, given the USDA increased US ending stocks for 2022/23 from 230m bushels to 245m bushels. The market was expecting a number closer to around 227m bushels. Domestic production estimates were increased by around 26m bushels to 4.53b bushels which, if realised, would be a record soybean crop for the US.

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