

## The Commodities Feed: Tighter market supports prices

ICE Brent has registered seven consecutive weeks of gains as tighter fundamentals continue to feed through to a stronger flat price and time spreads. The oil market will likely pay close attention to Chinese economic data this week which offers some insight into how the Chinese economy fared in July



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### Energy: Specs increase net long in gasoil

Oil managed to settle higher last week with ICE Brent up almost 0.7% over the week, which is the seventh consecutive week of gains for the market. Sentiment remains largely positive with the oil balance set to continue to tighten, while stronger refinery margins are also providing some support. However, speculators have been reluctant to add to their positions. In fact, speculators reduced their net longs in Brent by 4,381 lots over the last reporting week to 210,987 lots though they continue to add to their net longs in ICE gasoil, which increased by 6,653 lots over the last week to 88,238 lots, the largest position speculators have held in gasoil since March 2022.

The IEA released its latest oil market report on Friday in which its demand growth forecasts for

2023 were left unchanged at 2.2MMbbls/d to leave demand at a record 102.2MMbbls/d, whilst for 2024 demand growth was revised down from 1.1MMbbls/d to 1MMbbls/d. The growth numbers forecast for next year are more aligned with the annual growth we saw in pre-pandemic years. As for supply, the IEA saw output fall by 910Mbbbls/d to 100.9MMbbls/d in July as a result of Saudi Arabia's additional voluntary cuts. However, for full year 2023, oil supply is set to grow by 1.5MMbbls/d to a record 101.5MMbbls/d. Supply growth is set to slow next year with reduced drilling activity in the US. As for Russian oil exports, these were largely unchanged at 7.3MMbbls/d in July. IEA numbers also show that global observed oil inventories fell by 17.3MMbbls in June, whilst preliminary numbers suggest that these declined further over July and August.

European natural gas prices came under further pressure on Friday with TTF settling more than 4.7% lower on the day. This is despite plenty of uncertainty over Australian LNG supply with negotiations still ongoing to avoid strike action at several LNG facilities. The market appears to be taking comfort in the fact that European storage continues to fill up at a good pace with storage levels quickly approaching 90% full, a target level set by the European Commission to be hit by 1 November, so clearly this will be reached well before this date.

Looking at the week ahead, all attention will be on how labour negotiations in Australia develop and whether workers at 3 LNG facilities go on strike. These facilities make up a little more than 10% of global LNG supply and are obviously important for global gas markets. Elsewhere, China will release industrial output numbers and retail sales for July on Tuesday, which will shed some more light on how the Chinese economy is faring.

## Metals: Growing share of Russian aluminium in LME sheds

Weekly data from Shanghai Futures Exchange (ShFE) show that copper inventories rose marginally by 763 tonnes (+1.5% week-on-week) after declining for three consecutive weeks to 52,915 tonnes as of last Friday. In contrast, aluminium inventories reported outflows of 7,574 tonnes (-6.7% WoW) to 105,233 tonnes. Meanwhile, weekly exchange inventories for nickel and zinc rose by 15.4% and 1.7%, respectively, whilst lead stockpiles dropped 1.2% on a weekly basis as of Friday.

The latest numbers from Rusal show that aluminium production increased by 1.2% year-on-year to 1.91mt, while aluminium sales also rose 9.8% YoY in the first half of 2023. The rise in production was primarily due to the launch of the Taishet aluminium smelter. Meanwhile, the latest numbers released by the LME last week show that at the end of July, 81% of LME aluminium inventories were of Russian origin, up from 80% in June. The large share of Russian aluminium sitting in LME warehouses will raise concerns over whether LME aluminium prices are increasingly reflecting the price of Russian-origin aluminium.

The latest CFTC data shows that money managers sold 24,908 lots in COMEX copper over the last reporting week, which saw speculators shift from a net long to a net short of 3,395 lots. This move was predominantly driven by fresh shorts entering the market. COMEX gold also saw some large speculative selling, with the managed money net long falling by 23,755 lots over the last reporting week to 75,582 lots.

## Agriculture: USDA lowers grain crop estimates

In its latest [WASDE report](#), the USDA lowered its 2023/24 US corn production estimate by 209m bushels to 15.11bn bushels as adverse weather conditions early in the growing season impacted yields. Both consumption and export forecasts were reduced by 45m bushels and 50m bushels to

12.34bn bushels and 2.05bn bushels, respectively. As a result, 2023/24 ending stock estimates were reduced by 60m bushels to 2.2bn bushels, which was not too dissimilar to what the market was expecting. For the global corn balance, 2023/24 ending stock estimates were revised down from 314.1mt to 311.1mt bushels, which was lower than the little more than 314mt the market was expecting.

For soybeans, the USDA cut its 2023/24 US production estimates from 4,300m bushels to 4,205m bushels due to falling yields. As a result, US ending stocks for 2023/24 were lowered from 300m bushels to 245m bushels, which was less than the roughly 260m bushels the market was anticipating. For the global market, the USDA revised down 2023/24 global soybean ending stocks from 121mt to 119.4mt, which was slightly less than the roughly 120mt the market was expecting.

For wheat, US production is projected to fall by 5m bushels to 1,734m bushels in 2023/24. Despite expectations for slightly lower output, ending stock estimates were revised up from 592m bushels to 615m bushels. This was also above the roughly 595m bushels the market was expecting. The increase in ending stocks was driven by revisions lower in both domestic demand and exports. Meanwhile, 2023/24 global wheat ending stock estimates were lowered by 0.9mt to 265.6, which was broadly in line with market expectations.

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