

## The Commodities Feed: US drilling slows further

US drilling activity continues to slow given the broader weakness in oil prices. Meanwhile, markets will be focused on the US-China trade talks this week



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### Energy – US drilling activity slows

The oil market strengthened over the last week thanks to a variety of global events, with the ICE Brent Aug-25 contract settling almost 5.9% higher. Canadian wildfires provided support, while the market is digesting announced supply hikes for July from OPEC+. The US jobs report for May on Friday also provided a boost. Meanwhile, the US and China are holding their second round of trade talks in London today.

It's no surprise that with the market moving higher, speculators increased their net long in oil. Speculators bought 42,496 lots in NYMEX WTI over the last reporting week, leaving them with a net long of 163,078 lots as of last Tuesday. This move was predominantly driven by fresh buying, producing the largest weekly increase since early January. Buying in ICE Brent was more modest, with speculators purchasing 8,813 lots, leaving them with a net long of 167,763 lots. The US market has been more constructive recently, which is also reflected in the narrowing of West

Texas Intermediate's (WTI) discount to Brent. The Canadian wildfires, which led to some production shut-ins, provided some relative support to WTI.

In the US market, drilling activity continues to slow. Baker Hughes data shows that the oil rig count fell for a sixth consecutive week, the longest period of declines since mid-2023. The rig count fell by 9 last week to 442, taking the total decline over the last 6 weeks to 41. The combination of increased OPEC+ output, modest US crude oil supply growth and the potential for output declines next year supports the idea of a narrowing in the Brent-WTI spread.

In the natural gas market, European gas storage finally broke above 50% full towards the end of last week. However, storage still remains some distance away from year-ago levels and the 5-year average. This leaves the region with a fairly big task to hit storage targets. Reduced gas flows from Norway, thanks to outages and planned maintenance, added to supply concerns. LNG flows through the summer months will need to be watched closely as competition with Asia increases.

## Agriculture– Coffee prices rise on falling stockpiles

Arabica coffee prices extended gains last week, up 4.6% on the week amid a decline in stockpiles. The latest data shows that total coffee stocks at US port warehouses monitored by the ICE exchange declined for a fifth straight session to 826.5k bags, the lowest since 1 May.

Meanwhile, the General Statistics Office of Vietnam estimates that coffee exports stood at 148kt, up 59.2% year-on-year, although volumes were down 11.4% month-on-month. This leaves cumulative coffee exports at 813kt over the first five months of the year, down 1.8% YoY.

Recent data from France's Agriculture Ministry shows that 69% of the soft wheat crop is rated in good to excellent condition as of 2 June. This is slightly lower than the previous week, but above the 62% seen at the same stage last year. Recent rains, declining temperatures, and storms in the various growing regions across the nation are favouring wheat crop development. Meanwhile, corn plantings were reported to be 99% complete compared to 97% a week ago and 89% reported a year ago.

Lastly, the latest CFTC data shows that speculators boosted their net short in CBOT corn by selling 53,283 lots. This leaves them with a net short of 154,043 lots, the most bearish position they've held since September 2023. The US is set to see record supplies in 2025/26 amid higher acreage and yields, which will drive domestic inventories higher. Meanwhile, the net speculative long position in CBOT soybeans fell by 28,096 lots to 8,601 lots.

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