

## The Commodities Feed: US jobs report pressures the complex

Large parts of the complex, particularly metals, came under pressure following a stronger-than-expected US jobs report on Friday



### Energy - Speculators dump ICE Brent

Oil prices held up relatively well on Friday considering the stronger-than-expected US jobs report and the resulting strength in the USD and US treasury yields. The data will also likely push back expectations on when the Fed may start cutting rates. However, broader sentiment in the oil market remains bearish. Oil has settled lower for three consecutive weeks and traded down to its lowest since February last week.

The bearish sentiment in the oil market is reflected in speculative positioning. The latest data shows that speculators reduced their net long in ICE Brent by a significant 102,075 lots to 45,678 lots as of last Tuesday. Gross longs reduced their position by 44,919 lots, while gross shorts grew by 57,156 lots. Speculators hold their smallest net long in ICE Brent since 2014.

Weaker prices saw the US Department of Energy (DoE) announce a tender on Friday to purchase up to 6m barrels of crude oil for its Strategic Petroleum Reserve (SPR). The DoE announced two tenders, one for 1.5m barrels for delivery in September, and another for 4.5m barrels for delivery in October, November and December.

US drilling activity slowed further last week. According to Baker Hughes data, the number of active oil rigs fell by 4 last week to 492, the lowest level since January 2022. The gas rig count also fell by 2 over the week to 98, a level last seen in October 2021. The slowdown in drilling activity in the US is expected to weigh on US natural gas output, which should tighten up the market as we go into 2025, particularly when you consider the ramping up of new LNG export capacity.

European natural gas prices continued to weaken towards the end of last week. TTF settled a little more than 1.7% lower on the day. Supply concerns have eased after the completion of repair work brought to an end an unplanned outage from Norway. Norwegian gas flows to Europe have returned to roughly 324mcm/day, up from around 264mcm/day on Monday last week.

It is a busy week for the oil market. OPEC will release its latest monthly oil market report on Tuesday. This will be followed by the EIA's Short-Term Energy Outlook on the same day. Then on Wednesday, the IEA will release its last monthly report. The market will be keen to see how all three agencies view the outlook for the market, particularly after recent action taken by OPEC+.

## Metals - China halts buying gold for reserves

The metals complex came under pressure at the end of last week. LME copper settled more than 3.8% lower on Friday, taking it to its weakest level since April. Similarly, gold sold off, settling almost 3.5% lower on the day. A stronger-than-expected US jobs report led the USD and US treasury yields to surge as the data raised doubts about the prospect for Fed rate cuts anytime soon.

Chinese preliminary trade numbers for May showed that monthly imports for unwrought copper rose 16.8% MoM and 15.7% YoY to 513.8kt, despite weak physical consumption. Cumulative copper imports rose 8.8% YoY to 2.33mt in the first five months of the year. Copper concentrate imports increased 11.6% YoY to 2.26mt in May, while year-to-date imports were up 2.7% YoY to total 11.6mt. In ferrous metals, iron ore imports rose 6% YoY to 102mt last month (highest since Jan'24), while cumulative imports increased 7% YoY to 513.7mt. Chinese metal exports remained robust in May. Unwrought aluminium and aluminium products shipments rose 18.8% YoY to 564.5kt in May, while exports of steel products rose 4.5% YoY to 9.63mt last month, which took cumulative exports so far this year to 44.7mt, up 25% YoY.

Recent data from Cochilco show that Codelco's total copper production fell over 6% YoY to 95.1kt in April, primarily due to delays in structural projects. Similarly, BHP's Escondida copper mine production stood at 98kt in April, down 6.8% YoY. This lower output will do little to help ease concerns over tight mine supply. However, mine production at Collahuasi rose almost 2% YoY to 42.3kt during the above-mentioned period.

Shanghai Futures Exchange (SHFE) inventory data shows weekly inventories for all the base metals (except zinc) rose over the reporting week. Copper stocks rose by 15,269 tonnes for a sixth consecutive week to 336,964 tonnes (the highest since 27 March 2020), and aluminium inventories increased 4% WoW to 226,582 tonnes. Lead and nickel stocks rose 7% and 0.7% respectively over the week, while zinc inventories fell 1.5% to 127,153 tonnes.

China halted buying gold for reserves in May after the precious metal surged to a record high ending an 18-month buying spree. Gold held by the People's Bank of China was unchanged at 72.80 million troy ounces in May, according to data released last week. This marked the first time the PBoC did not add to its reserves since October 2022. China's appetite for gold started to show

signs of easing in April, when the PBOC bought only 60,000 troy ounces, down from 160,000 ounces in March, and 390,000 ounces in February.

The latest positioning data from the CFTC shows that managed money net longs in COMEX gold increased by 1,540 lots to 180,761 lots as of 4 June. In contrast, and not surprising due to the more recent price action, speculators decreased their net long in COMEX copper by 8,819 lots to 54,968 lots over the last reporting week.

## Agriculture – Wheat prices extend losses

CBOT wheat extended losses for an eighth consecutive session on Friday on reports that Turkey will suspend wheat imports for the next four months to protect domestic producers from weaker prices during the harvest period. Turkey is a prime buyer of Russian wheat. In addition, good progress in the US winter wheat harvest is adding pressure to wheat

The latest trade numbers from China Customs show that soybean imports declined 15% YoY to 10.2mt in May, while cumulative imports fell 5.4% YoY to 37.4mt in the first five months of the year.

The latest CFTC data show that money managers increased their net short position in CBOT soybeans by 45,523 lots to 59,741 lots as of 4 June. The move was dominated by a rising shorts positions with the gross short position increasing by 37,151 lots to 132,235 lots. Similarly, speculators increased their net bearish bets in corn by 79,229 lots over the last week, leaving them with a net short position of 212,706 lots.

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