

## The Commodities Feed: USD dominance

It was a negative end to the week for commodities. USD strength and a week of numerous central banks hiking rates have weighed heavily on the complex. Macro drivers are clearly in the driving seat when it comes to commodities



### Energy- Macro pressure

ICE Brent came under significant pressure on Friday, trading down to US\$85.50/bbl - the lowest level since January and settling almost 4.8% lower on the day. The surge higher in the USD has not been helpful to the oil market, while a raft of central banks tightening monetary policy dims the demand outlook. Despite the weakness in the flat price, the prompt time spread has held up fairly well in the last couple of days and strengthened to a backwardation of US\$1.13/bbl. If the flat price weakness persists, we will need to keep a lookout for possible OPEC+ intervention. The group has made it clear in recent months about the possibility of further action given the apparent disconnect between the physical and the paper market. If it is not there already, the market is trading towards levels where OPEC+ will be getting uneasy. The group are scheduled to meet next week. This could be an interesting meeting.

The latest positioning data shows that speculators increased their net long in ICE Brent by 5,635 lots to 162,334 lots as of last Tuesday. This move was exclusively driven by short covering, rather than fresh longs coming into the market. Given the weakness in the market since Tuesday,

speculators are likely to have trimmed this position. Similarly, the speculative net long in NYMEX WTI increased by 7,941 lots over the last reporting week to 192,740 lots. As for ICE gasoil, speculators trimmed their net long, selling 20,321 lots over the reporting week, to leave them with a net long of 47,176 lots. Given the recent speculation of China releasing a large amount of refined product export quotas, it shouldn't be too surprising to see speculators taking risk off the table.

In Iraq, the oil ministry has announced that trial operations at the 140Mbbbls/d Karbala refinery have started. Given the tightness in the refined products market (particularly the middle distillate market), the ramping up of new capacity will be welcomed by the market. Supply from the Karbala refinery will help to meet domestic demand.

## Metals – metals slump on economic concerns

The LME metals index slumped more than 3% on Friday as concern over an industrial slowdown, recession fears and a very strong USD, all weighed on sentiment. LME nickel was the worst performer with around a 5% loss for the day, whilst copper also fell more than 3%. Soft economic data out of Europe did not help with the manufacturing PMI falling to 48.5 for September, the lowest level since 2020 and the third consecutive month below 50.

LME zinc inventories dropped by another 2,375 tonnes on Friday, taking total weekly inventory withdrawals to around 14,225 tonnes or around 20% of the total available inventory at the end of last week. Most of the withdrawals were seen in Malaysia, where stocks dropped to 8,850 tonnes as of 23 September compared to 22,975 tonnes a week ago. Meanwhile, zinc inventory at SHFE warehouses also dropped by another 2,618 tonnes last week, taking total deliverable zinc stocks to nearly a 1-year low of around 55,789 lots as of 23 September.

Rising interest rates along with the surging USD are weighing heavily on the safe haven appeal of gold. The latest CFTC data shows that money managers increased their net short position in COMEX gold by 22,834 lots over the week with their net short position increasing to more than a 3-year high of 32,966 lots as of 20 September. Similarly, total known ETF holdings of gold have dropped by around 0.85m ounces over the past week and around 1.71m ounces so far this month.

## Agriculture – weak start to the planting season in Argentina

The latest update from the Buenos Aires Grain Exchange showed that corn planting in Argentina has been progressing at a very slow pace due to drought concerns. Corn planting was reported to be around 3% complete, compared to around 8.5% at the same stage last season with farmers waiting for the weather to improve before committing to corn planting. Meanwhile, the exchange also reported that 42% of the current wheat crop is in poor-to-very poor condition compared to 34% a week ago, reflecting the impact of dry weather on the crop. Earlier, the Rosario Board of Trade downgraded wheat production forecasts from 17.7mt to 16.8mt due to the ongoing drought.

Speculative buying returned in CBOT corn and wheat over the last week as some concerns over the continuity of Ukrainian grain shipments combined with poor weather in South America helped sentiment. CFTC data shows that managed money net longs in CBOT corn increased by 7,266 lots over the week to push net longs to 247,909 lots as of 20 September.

## Authors

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.