

The Commodities Feed: Covid-19 worries re-emerge

Your daily roundup of commodity news and ING views



Energy

Having had its first down week after six weeks of rallying, the downward pressure on oil has continued in early morning trading today. A pick-up in Covid-19 cases in Beijing over the weekend has done little to help sentiment, which took a hit last week. The recovery in oil demand is already set to be a lengthy process, and a fresh wave of cases will certainly raise worries that a recovery in demand may take even longer than initially thought.

The latest data from the CFTC shows little change in speculative positioning in WTI, with the managed money position increasing by just 1,238 lots over the last reporting week, to leave it at a net long of 381,345 lots as of last Tuesday. This is the largest speculative net long in WTI seen since the summer of 2018. This large net long, in the current environment, still suggests that speculators are overstretched. Although given the sell-off we have seen in the market since Tuesday, speculators have likely reduced this position somewhat.

Looking ahead to this week, there are plenty of data releases for the market to focus on. Later today the EIA will be releasing its drilling productivity report, where they will include their estimates for US shale output over July. Then on Tuesday, the IEA will release its monthly oil

market report, which will include their outlook for the remainder of the year, and into 2021. This will be followed by OPEC's monthly report on Wednesday, where the group will share its outlook and production estimates for May. Finally, the OPEC+ Joint Technical Committee and Joint Ministerial Monitoring Committee will be meeting on Wednesday and Thursday respectively

Metals

LME copper has been moving closely with the broader macro sentiment. Last Friday, LME 3M prices inched above US\$5,800/t, with a tight physical market and inventory withdrawals providing support to the red metal. Copper inventory at SHFE dropped by another 11.8kt over the past week, with total withdrawals now increasing to 252kt from the March peak, leaving stocks at around pre-COVID levels. Meanwhile, cancelled warrants for LME copper stocks rose to a YTD high of 109.2kt last week, leaving on-warrant stocks at a 3-month low of 125.3kt. Although the surge seen in Covid-19 cases in Beijing over the weekend may put some downward pressure on the metal.

Latest CFTC data highlights the recent shift we have seen in sentiment, with money managers switching their position in COMEX copper from a net-short to a net-long over the last reporting week. Meanwhile for COMEX gold, speculators have continued to reduce their net-long position, and they currently hold the smallest net-long since June 2019. Despite speculators reducing their net-long in COMEX gold, investors have started to increase their holdings in gold ETFs once again. Since Tuesday, holdings have increased by more than 400koz, leaving the total position at a record 100.7moz.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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 www.ing.com.