

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.

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