

The Commodities Feed: Crude strengthens on OPEC+ actions

Your daily roundup of commodity news and ING views



Source: iStock

Energy

Price & spread strength: Oil prices continue to find good support, with ICE Brent breaking above US\$64/bbl briefly on Friday. Expectations are building for action to be taken by OPEC+ at its semi-annual meeting on 5 and 6 December. We are of the view that OPEC+ will need to make significantly deeper cuts at least over 1Q20, as well as extending the deal through until the end of June 2020. Failing to do so would mean the risk of weaker prices, given the scale of the surplus forecast over 1H20.

Not only is the market experiencing flat price strength, but we are also seeing strength in time spreads, with the ICE Brent Jan/Feb spread trading in a backwardation of US\$1.07/bbl, up from around US\$0.70/bbl at the start of November. This strength suggests some tightness in the prompt physical market.

Further strength ahead of the OPEC meeting however could send the wrong message to OPEC+ members, possibly signalling that deeper cuts are not needed. Given our balance sheet shows a large surplus over 1H20, this would clearly be the wrong signal. Therefore we would expect limited

upside in oil prices in the immediate term.

Metals

Managed money position: The latest CFTC data shows that the managed money net short position in COMEX copper increased by 12,172 lots over the past week with them holding a net short of 33,729 lots as of 19 November. The move was predominantly driven by longs liquidating, with the gross long position falling by 10,160 lots, whilst gross shorts increased by 2,012 lots. It does seem as though the initial optimism around progress in trade talks has dimmed somewhat, at least when we look at speculative positioning in copper.

Turning to precious metals, the speculative net long in COMEX gold increased by 25,376 lots over the last reporting week to total 225,688 lots, as we saw a brief move back towards safe-haven assets, with uncertainty around the progress of trade talks continuing to linger.

Agriculture

Soybean weakness: CBOT soybeans slipped below US\$9/lb on Friday- a two-month low, as US/China trade discussions continue to drag on. Soybeans rallied strongly over September and much of October, with China stepping back into the market for US soybeans, while optimism around phase one of the trade deal certainly offered further support.

However, in the absence of a trade breakthrough, the market is starting to adopt more of a wait-and-see stance. CFTC data shows that the speculative net long in CBOT soybeans declined by 12,598 lots over the last reporting week, leaving speculators with a fairly neutral position as of last Tuesday- a net long of just 18,452 lots. This compares to a net long of 72,325 lots at the end of October.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	63.39	-0.91	17.83	Spot Gold (US\$/oz)	1,461.9	-0.17	13.99
NYMEX WTI (US\$/bbl)	57.77	-1.38	27.22	Spot Silver (US\$/oz)	17.0	-0.48	9.85
ICE Gasoil (US\$/t)	582	0.47	13.90	LME Copper (US\$/t)	5,855	0.45	-1.84
NYMEX HO (Usc/g)	193	-0.79	14.79	LME Aluminium (US\$/t)	1,739	0.29	-5.80
Eurobob (US\$/t)	584	-0.47	21.77	LME Zinc (US\$/t)	2,305	0.52	-6.57
NYMEX RBOB (Usc/g)	167	-1.77	26.49	LME Nickel (US\$/t)	14,635	1.04	36.90
NYMEX NG (US\$/mmbtu)	2.67	3.82	-9.35				
TTF Natural Gas (EUR/MWh)	16.05	2.71	-26.99	CBOT Corn (Usc/bu)	369	0.07	-1.67
				CBOT Wheat (Usc/bu)	515	1.23	2.38
API2 Coal (US\$/t)	61	1.17	-28.51	CBOT Soybeans (Usc/bu)	897	-0.44	1.64
Newcastle Coal (US\$/t)	71	-0.28	-29.88	ICE No.11 Sugar (Usc/lb)	12.83	1.74	6.65
SGX TSI Coking Coal (US\$/t)	140	0.21	-33.96	ICE Arabica (Usc/lb)	115	-0.56	12.52
SGX Iron Ore 62% (US\$/t)	86.45	1.62	24.44	ICE London Cocoa (GBP/t)	2,047	0.00	15.91

Source: Bloomberg, ING

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