

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

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.