# The Commodities Feed: Further lockdowns weigh on oil

Your daily roundup of commodity news and ING views

## Energy

Oil remains under significant pressure in early morning trading in Asia, with ICE Brent down more than 5% at one stage, and with prices trading back at levels last seen in May. News that further countries in Europe will re-enter lockdown is not proving great for sentiment. In recent days France, Germany, the UK and Belgium have announced that they will be going back into lockdown, and three of these four countries are significant oil consumers in the region. If we look at pre-Covid-19 demand numbers, these four countries consumed around 6MMbbls/d or the equivalent of a little over 6% of global consumption, and so no surprise that we are seeing the market reacting this morning.

The pressure that we are seeing on oil will be a real concern for OPEC+, particularly with Brent now well below US$40/bbl. New lockdowns, Libyan supply and this price pressure mean that it is looking increasingly likely that OPEC+ roll over current cuts into January. However, we will still have to wait until their meeting at the end of this month before a decision will be made. If this downward pressure on the market continues, there is nothing ruling out the group having an emergency meeting to try calm market fears.

Another key uncertainty for the market is the US presidential election tomorrow, and the consequences this could have on oil. A Biden victory could see the US taking a less hawkish stance with Iran, and so raising the possibility that we see oil sanctions against Iran removed. While it is still unclear how high Iran would be on Biden's priority list, a win for the Democrats could put some downward pressure on oil prices, with the possibility of 1.5-2MMbbls/d of oil supply returning to the market over time.

## Metals

Base metals (with the exception of aluminium) headed lower on Friday, as a continuous surge in Covid-19 cases weighed on sentiment. LME copper prices fell below US$6,700/t at one stage, while nickel was the biggest loser on Friday, falling more than 2%. Meanwhile, the suspension of operations at Chile's Candelaria copper mine continued on Friday, with management and union workers failing to reach an agreement. Operations at the mine have been suspended since 20 October.

Over the weekend, China released its manufacturing PMI, which showed that factory activity was still in the expansion zone over October, albeit at a slower pace. Looking ahead, and the key focus for metal markets in the coming days will be the outcome of the US election.

As for the latest CFTC data, this shows that speculators reduced their net long position in COMEX copper, selling 3,321 lots over the last reporting week, and leaving them with a net long of 88,257 lots as of last Tuesday. For precious metals, speculators trimmed their net long in COMEX gold by 3,702 lots, to leave them with a net long of 131,609 lots, while increasing their net long in silver by 1,708 lots.

## Agriculture

CBOT corn and soybeans traded softer last week, as increasing Covid-19 cases in Europe and the US along-with fresh lockdowns dimmed risk appetite, which appears to be prompting speculators to liquidate some of their excessive longs. CFTC data showed that money managers held 276,235 lots of net long position in CBOT corn as of 27 October, the largest net long position in over five years, as Chinese purchases of US corn and dry weather buoyed sentiment. Speculators added 57,410 lots to the net long position over the last reporting week. The majority of this buying was fresh longs entering the market. While we appear to have seen some profit-taking in recent days (post COT reporting period), the fundamentals remain constructive for corn, with robust Chinese demand.

### Author

**Warren Patterson**
Head of Commodities Strategy
Warren.Patterson@asia.ing.com