

The Commodities Feed: Gold nears all-time high

Your daily roundup of commodity news and ING views



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Energy

Oil markets continue to trade in a narrow range, with ICE Brent just above US\$43/bbl once again. Market participants appear to be nervous in taking a strong view either way on the market, with plenty of uncertainty still clouding the outlook when it comes to demand. This is reflected in positioning data, which also shows limited enthusiasm from speculators, despite the fact that the market over the last month has transitioned from building stocks to finally starting to draw down inventory. Over the last reporting week, speculators increased their net long in ICE Brent by just 2,749 lots, leaving them with a net long of 212,524 lots as of last Tuesday. Over the last month, the managed money net long has only increased by a little under 11k lots.

Finally looking at rig activity, the latest data from Baker Hughes shows that the US oil rig count increased by just 1 over the last week, leaving the total number of active oil rigs at 181. This is the first gain seen in the rig count since early March, but given the scale of the increase along with the fact that this is just one data point, we wouldn't get too excited about it just yet. Whilst we believe rig activity has bottomed, we don't expect to see a quick recovery anytime soon at current price levels.

Metals

Spot gold prices are on track to make a new all-time high, with the market having traded to an intraday high of almost US\$1,919/oz so far this morning, and so it will not be long until it tests the highs of a little over US\$1,921/oz seen back in 2011. Growing safe-haven demand amid significant uncertainties, falling real yields, rising inflation expectations (rightly or wrongly), as well as momentum buying have all supported this latest move higher. In the gold ETF market, last week saw fresh net inflows of 1.76moz, taking total known ETF holding to a fresh record of 106.8moz. Meanwhile, for COMEX gold futures, speculators have held back more, with their net long position increasing by just 6,800 lots over the last reporting week, to leave them with a net long of 184,127 lots as of last Tuesday.

Turning to base metals, prices of all major metals traded in the red on Friday, not helped by China/US tensions. LME copper touched lows of US\$6,366/t on Friday and ended its nine-week bull run. A weaker dollar remains a tailwind, while there has been optimism around demand, amid stimulus hopes, particularly from China. Another factor offering some support would include LME on-warrant inventories, which have fallen to their lowest levels since mid-January. Surprisingly, ShFE also reported a lower weekly on-warrant inventory number last Friday, a pause to the rising trend from the previous week, and against market expectations. Similar moves were also seen in other ShFE base metals, including aluminium.

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