The Commodities Feed: Libyan oil set to make a return

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Energy

While oil did rebound over the course of last week, momentum appeared to fade towards the latter part of the week and this morning. Unsurprisingly with Brent having traded below US$40/bbl in the early part of last week, speculative positioning over the last reporting week was somewhat lower, with speculators selling 39,875 lots over the week to leave them with a net long of just 81,292 lots as of last Tuesday. Like we saw in the previous release, the decline was driven by a combination of fresh shorts and longs liquidating. This is the smallest position speculators have held since the end of March, and suggests that further speculative selling will likely be limited, given that fundamentals are more constructive than what we saw in late 1Q20 and over 2Q20.

Moving on, and it seems as though we could see some Libyan oil supply returning to the market. On Saturday, Libya's National Oil Corporation said it would lift force majeure at ports and facilities it thought were safe, while facilities where fighters are still present will remain shut. This announcement comes after commander Khalifa Haftar in Eastern Libya said he would lift an export blockade, which has been in place for eight months, and has brought Libyan output almost to a standstill. There are reports that operations at Libya's largest oilfield, Sharara have restarted, although production is yet to resume. Obviously, the global oil market is in a fragile state, given the slower than expected demand recovery, therefore any additional supply is only going to make efforts from OPEC+ to rebalance the market more difficult.

Metals

Base metals prices have edged higher this morning, with copper reaching an intra-day high of US$6,878/t (highest since June 2018), supported by continued weakness in the USD index and better than expected US unemployment data last week. Meanwhile, continued concerns over near-term availability pushed the LME copper cash/3m spread into a deeper backwardation of USS$40.25/t (highest since March 2019) on Friday.

In the secondary metals market, China Solid Waste and Chemicals Management Bureau issued the twelfth batch of scrap import quota for 2020 on Friday; a total of 136.34kt of copper scrap will be allowed to enter China. The latest agreed scrap import quota was much higher when compared to the previous allowance of 14.53kt. Year-to-date total scrap quota allowances now stand at 879kt.

Finally, the latest CFTC data shows that speculators increased their net long position in COMEX copper by 7,510 lots over the last reporting week, leaving them with a net long of 76,697 lots as of last Tuesday. For precious metals, speculators increased their net long in COMEX gold by 10,662 lots, to leave them with a net long of 165,251 lots as of last Tuesday.

Agriculture

Weekly CFTC data showed that speculators remain fairly bullish on soybeans and corn, with speculative net longs for both increasing to an one-year high last week. Money managers increased their net long position in CBOT soybeans by 17,867 lots over the last week with them holding a net long of 191,774 lots as of 15 September. The move was predominantly driven by fresh longs, rather than short covering. Stronger soybean purchases from China and USDA forecasts of a tighter soybean market have attracted speculative longs to the market. Meanwhile for CBOT corn, speculators increased their net long by 25,062 lots over the last week, leaving them with a net long of 58,556 lots as of last Tuesday.

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