

The Commodities Feed: Libyan output set to increase further

Your daily roundup of commodity news and ING views



Energy

Oil remains under pressure, with ICE Brent falling towards US\$41/bbl. The recent surge in Covid-19 cases and further movement restrictions across parts of Europe is weighing on sentiment, with concern over what this all means for demand. Not helping, is the fact that Libya appears to be returning supply to the market quicker than expected. Libya's National Oil Corporation has lifted force majeure at Es Sider and Ras Lanuf ports, while the NOC has said that it expects the country's output to reach 800Mbbbl/d within 2 weeks, and 1MMbbbl/d within four weeks. Libya has been quick to bring production back online following the lifting of an export blockade and is now producing in the region of 500Mbbbl/d. In an environment where there are renewed worries over the demand outlook, the last thing the market needs right now is additional supply.

In Canada, Alberta has decided to end its mandated production cuts early. The production limits were set to expire on 31 December. However, they will now be lifted as of December, with Covid-19 meaning that producers in Alberta are already producing below the production limits. According to data from the province, Alberta produced 3.1MMbbbl/d of oil in August, well below the 3.81MMbbbl/d production limit. Canada has had production limits in place since January 2019, with production in the region exceeding pipeline export capacity. However, with the Covid-19 supply hit,

production is not expected to reach pipeline capacity at least until mid-2021.

Latest data from Baker Hughes shows that the number of active oil rigs in the US increased by 6 over the last week to total 211. This is the fifth consecutive week of increases and takes the total rig count back to levels last seen in May. The total number of oil rigs still remains well below the 683 seen back in mid-March.

Finally, latest positioning data shows that speculators increased their net long in ICE Brent by 20,022 lots over the last reporting week, leaving them with a net long of 140,130 lots as of last Tuesday. The bulk of this move was driven by fresh buying, with the gross long position increasing by 15,070 lots. Meanwhile looking at NYMEX WTI, the speculative net long increased by 38,431 lots over the last week, to total 332,260 lots as of last Tuesday. The increase in the net position was driven fairly evenly by both fresh buying and short covering.

Metals

Most of the base metals complex edged higher over the last week, tracking US stimulus hopes. However, surging Covid-19 cases and increased restriction measures around the world mean that markets are likely to face some headwinds. Over the weekend, China reported a new outbreak of Covid-19 in Cashi city, Xinjiang, with the number of cases last reported at over 137. It remains to be seen how effective this will be controlled locally. This week, the Fifth Plenum of the Chinese Communist Party Congress will be held from October 26 to 29 in Beijing. We are likely to hear more details regarding the nations longer-term economic plans.

Meanwhile, China Customs released its detailed September trade data over the weekend. The numbers showed that primary aluminium imports were 172kt over the month, which brought total imports over the first nine months of the year to 0.77mt, compared to just 57kt during the same period in 2019. Aluminium alloy imports came in at 149kt, while cumulative imports between January and September reached 467kt, compared to 105kt over the same period last year. On the raw material side, bauxite imports over the first nine months of the year grew by 13% YoY to total 88 mln tonnes; while alumina imports rose by 276% YoY to total 2.98 mln tonnes. Refined copper imports in September rose by 6.2% MoM, while zinc concentrate imports in the month fell by 36% MoM to 265kt, and refined zinc imports declined by 4.5% over the month to 45kt.

Finally, latest CFTC data, shows that speculators added to their net long position in COMEX copper, buying 11,040 lots over the last reporting week, and leaving them with a net long of 91,578 lots as of last Tuesday. For precious metals, speculators bought 15,488 lots of COMEX gold, to leave them with a net long of 135,311 lots.

Agriculture

Speculators continue to be bullish on agriculture commodities as the ongoing dry weather in the Americas and Europe weighs on supply estimates. Weekly data from the CFTC shows that money managers increased their net long in CBOT corn by 47,956 lots over the last week, leaving them with a net long of 218,825 lots as of 20 October, the largest net long held in over two years. The bulk of this move was driven by fresh buying, with the gross long increasing by 32,680 lots over the week.

The latest trade data from China's customs shows that China's import of corn increased 675% YoY to 1.08mt in September, with YTD imports up 72.5% YoY to total 6.67mt over the first nine months

of the year. China's imports of soybeans increased by 19.5% YoY to 9.8 mt in September, while YTD imports rose 15.5% YoY to 74.5mt.

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