The Commodities Feed: Libyan supply returning

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Energy

Oil is under a bit of pressure once again during early morning trading in Asia, with continued worries over slowing demand growth amid a resurgence of Covid-19 cases. Russia's energy minister over the weekend said that the recovery in demand was going to be slow and gradual, and expects that over 2020 demand could fall as much as 10% YoY. Reports that Libyan oil production has already reached 250Mbbls/d, up from a little under 100Mbbls/d does not help either. This Libyan production increase follows Commander Khalifa Haftar lifting the export blockade from the country, while Libya's National Oil Corporation has also lifted force majeure for a number of oil facilities and ports.

The one factor that may offer some support to the market is the prospect of strike action. Some offshore workers in Norway plan to go on strike if annual pay negotiations fail this week. The Norwegian Oil and Gas Association has said that oil producers plan to shut 22% of the country's oil and gas output if the strike action goes ahead, or around 900,000 boe/d. Strike action would also mean the shutting down of Equinor's Johan Sverdrup field.

Finally, the latest speculative positioning data shows that speculators, after selling the oil market for most of September, bought 22,904 lots over the last reporting week, leaving them with a net long of 104,196 lots as of last Tuesday. The bulk of the buying that was seen over the week was driven by short-covering, with the gross short position falling by a little over 20k lots. Maybe the Saudi oil minister's comments that those who gamble on the market will be left "ouching like hell" got through to some of the speculative community.

Metals

The latest data from Chinese Customs shows that copper cathode imports fell 15% MoM to 470kt in August, due to slowing domestic consumption in 3Q20 and increased supply over the month from domestic smelters. However, imports were still 63% higher YoY. Year-to-date (Jan-Aug) copper imports totaled 2.95mt, up 38% from the same period last year. Among other metals, nickel ore imports in China fell to 3.8mt last month, compared to 4.9mt (an eight-month high) in July, and 5.72mt during the same month last year.

Meanwhile, CFTC data shows that, speculators increased their net long position in COMEX copper by 10,611 lots over the last reporting week, leaving them with a net long of 87,308 lots (the highest since mid-Jan 2018) as of last Tuesday. For precious metals, speculators reduced their net long in COMEX gold by 34,162 lots, to leave them with a net long of 131,089 lots. The price action we have seen in gold since Tuesday suggests that speculators have likely reduced their net long in the precious metal even further since.

Agriculture

A survey by the Thai Sugar Millers Corporation shows that sugar production from Thailand could drop to 7.2mt in 2020/21 (down around 13% YoY) due to lower cane availability. The cane crush could slide by around 10% YoY to 67.5mt, while yields are also likely to remain soft. If realized, Thai sugar output would be the lowest in a decade due to dry weather conditions. Thailand's sugar production has been soft this season (2019/20) as well (down around 40%) due to weather, which has helped tighten the sugar market considerably.

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