

# The Commodities Feed: Middle East tensions linger

Your daily roundup of commodity news and ING views



Source: Shutterstock

## Energy

**Further spec selling & continued tension:** The latest exchange data shows that speculators sold a further 14,750 lots in ICE Brent over the last reporting week, leaving them with a net long of 269,903 lots as of last Tuesday. The reduction was driven fairly evenly by long liquidations as well as fresh shorts. Meanwhile, CFTC data shows that speculators reduced their net long in NYMEX WTI over the same period by 15,301 lots, to leave them with a net long of 198,109 lots.

The decline in the net long comes despite some uncertainty over Saudi oil supplies following the attack on its oil infrastructure earlier in the month. Clearly, speculators have taken comfort from Saudi comments and the speed at which they plan to bring supply back to the market. However, we still believe that the market is underpricing the geopolitical risk in the region- just over the weekend Iranian backed Houthi rebels claimed that they had captured a number of Saudi soldiers in an attack.

## Metals

**Speculative bets on gold:** Managed money net longs in COMEX gold increased to a fresh record high of 292,066 lots (+30,188 lots week-on-week) as of the 24 September, after speculators added 29,888 lots to their gross long position over the last week, while reducing their gross short position

by 300 lots. The price weakness since then (down 2.5%) suggests that some of these longs may have been liquidated on rising optimism over trade talks between China and the US.

Meanwhile, ETF holdings in gold continue to grow, increasing by 1.4mOz over the past week, supported by rate cuts and increasing calls on further policy easing.

**China economic data:** The manufacturing PMI in China remained below 50 for the fifth consecutive month reflecting pessimism among domestic manufacturers. China's official manufacturing PMI came in at 49.8 for September, marginally improving from 49.5 in August, but nevertheless still in contraction territory. On the brighter side, weaker economic data has boosted the prospects of further policy support from Beijing – The People's Bank of China said on Sunday that China will “continue to implement prudent monetary policy and increase the strength of counter-cyclical measures”.

## Agriculture

**European crop estimates:** The European Commission has lowered its EU corn production estimate to 66.5mt for the 2019/20 season compared to its previous estimate of 68.5mt. As a result, ending stocks for the 19/20 season were revised down by 2% to 21.9mt. Meanwhile, soft-wheat production was revised up by 1.6% to 145mt, while ending stocks for the 19/20 season are estimated at 16.9mt.

## Daily price update

	Current	% DoD	ch	%YTD	ch		Current	% DoD	ch	%YTD	ch
ICE Brent (US\$/bbl)	61.91	-1.32		15.07		Spot Gold (US\$/oz)	1,497.0	-0.52		16.73	
NYMEX WTI (US\$/bbl)	55.91	-0.89		23.12		Spot Silver (US\$/oz)	17.5	-1.59		13.20	
ICE Gasoil (US\$/t)	602	1.52		17.91		LME Copper (US\$/t)	5,767	0.79		-3.32	
NYMEX HO (USc/g)	194	-0.69		15.52		LME Aluminium (US\$/t)	1,735	-0.12		-6.01	
Eurobob (US\$/t)	588	-0.05		22.65		LME Zinc (US\$/t)	2,304	0.07		-6.63	
NYMEX RBOB (USc/g)	165	-0.59		24.76		LME Nickel (US\$/t)	17,205	-0.03		60.94	
NYMEX NG (US\$/mmbtu)	2.40	-0.99		-18.23							
TTF Natural Gas (EUR/MWh)	11.94	-0.87		-45.69		CBOT Corn (USc/bu)	372	-0.27		-0.93	
						CBOT Wheat (USc/bu)	487	0.62		-3.18	
API2 Coal (US\$/t)	64	0.39		-24.73		CBOT Soybeans (USc/bu)	883	-0.62		0.06	
Newcastle Coal (US\$/t)	68	0.96		-32.79		ICE No.11 Sugar (USc/lb)	11.53	-0.86		-4.16	
SGX TSI Coking Coal (US\$/t)	137	0.67		-35.45		ICE Arabica (USc/lb)	101	0.05		-0.93	
SGX Iron Ore 62% (US\$/t)	89.16	0.50		28.34		ICE London Cocoa (GBP/t)	1,940	-0.21		9.85	

Source: Bloomberg, ING Research

## Author

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.