

The Commodities Feed: Middle East tensions linger

Your daily roundup of commodity news and ING views



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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

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