

The Commodities Feed: Nuclear talks continue

Your daily roundup of commodity news and ING views



Energy

Price action in oil remains fairly rangebound, with ICE Brent continuing to trade around US\$63/bbl. There has been little in the way of fresh catalysts for the oil market over the last week. Although the market continues to watch US/ Iranian developments closely. Nuclear talks between the US and Iran on Friday went as expected, with Iran still wanting all sanctions lifted before it would be willing to return to compliance with the nuclear deal, something the US is not willing to do. However, talks are expected to continue this week.

The latest Commitment of Traders report shows that speculators reduced their net longs in ICE Brent by 20,278 lots over the last reporting week, to leave them with a net long position of 269,501 lots as of last Tuesday. This is the smallest net long held since early December. Demand concerns as a result of an increase in Covid-19 cases in a number of regions in recent weeks likely saw speculators take some risk off the table. It is a similar trend in the spreading position for speculators, with the spread position reduced by 25,738 lots, leaving the total managed money spread position at 331,746 lots, also the smallest position since December.

There are a number of data releases this week that the market will be keeping an eye on. On Tuesday, OPEC will release its monthly oil market report, while the first round of Chinese trade data for March will be released on the same day, which will include oil imports, as well as refined products trade. Wednesday will then see the IEA release its monthly oil market report, which will

include its latest supply and demand estimates.

Metals

The US dollar has turned from a headwind to a tailwind more recently for the metals complex. This, combined with a pause in the march higher in US Treasury yields, has provided room for gold to rally, despite investors continuing to slash their ETF holdings in gold. Although over the last reporting week, speculators did increase their net longs in COMEX gold futures by 26,943 lots, leaving them with a net long position of 77,406 lots as of last Tuesday. This is the largest weekly increase since June last year.

LME copper continues to consolidate near the US\$9,000/t mark. Rising stocks and the failure of mine supply risks to escalate after the border closure in Chile, has held the metal from moving higher. Comments from Chinese authorities over the last week may also leave investors more cautious. Last Thursday, a rare one-line statement was released after China's Financial Stability and Development Commission, which is headed by Vice-Premier Liu He, warned about the potential rise of commodity prices and consumer inflation. Over the weekend, Premier Li Keqiang again called for a stabilisation in commodity prices and easing in cost pressures for domestic manufacturers. These latest comments on commodity prices echo earlier reports from the central bank, which has asked Chinese banks to tighten credit growth for the remainder of the year, casting a shadow over Chinese metals demand.

CFTC data shows that speculators increased their net long position in COMEX copper by 4,958 lots over the last reporting week, leaving them with a net long of 48,137 lots as of last Tuesday.

Agriculture

The USDA released its April WASDE report on Friday, and the domestic balance sheets for soybean and wheat saw little change. The US soybean balance was left unchanged from last month, whilst wheat saw a small reduction in feed demand, as well as slightly lower imports, which saw 2020/21 US ending stocks increase from 836m bushels to 852m bushels. However, the US corn balance sheet saw bigger changes, with the agency increasing both export estimates as well as domestic demand. Both were increased by 75m bushels each, which sees 2020/21 US ending stocks falling from a little over 1.5b bushels to 1.35b bushels.

Turning to global balances, and the USDA revised higher its estimate for Chinese feed demand for wheat by 5mt to 40mt for the 2020/21 season. This sees global ending stocks for wheat fall from a little over 301mt to just under 296mt. Similarly for corn, global ending stock estimates for 2020/21 were reduced by 3.8mt to a little under 284mt, as a result of stronger demand from a number of countries. The report was more bearish for soybeans, with global ending stock estimates for the 2020/21 season growing from 83.74mt to 86.87mt. This was predominantly driven by a revision higher in prospects for the Brazilian crop, with the agency increasing its output estimate by 2mt to a record 136mt.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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