

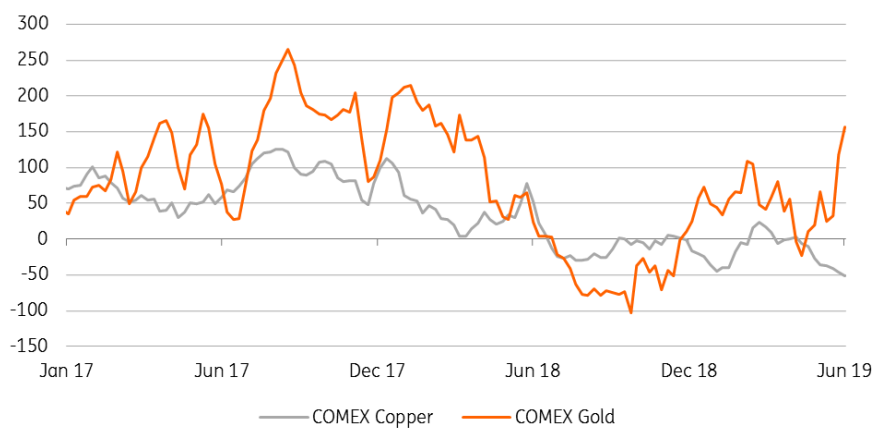
The Commodities Feed: Oil demand growth concerns

Your daily roundup of commodity news and ING views



Source: Shutterstock

Managed money net position in copper and gold (000 lots)



Source: CFTC, Bloomberg, ING Research

Energy

IEA demand numbers: The IEA on Friday released its latest monthly Oil Market Report, in which it once again revised lower its oil demand growth forecast for 2019 from 1.3MMbbls/d to 1.2MMbbls/d. Demand growth in 1Q was estimated at just 0.3MMbbls/d, whilst 2Q demand growth is estimated at 1.2MMbbls/d. For the second half of the year, the IEA expects growth to increase to 1.6MMbbls/d. These revisions follow OPEC's decision to cut its own demand growth forecasts for 2019, warning that an escalation in trade tensions is hurting demand.

The IEA also released its first outlook for 2020, forecasting that oil demand will grow by 1.4MMbbls/d over the year, although this does appear to assume that ongoing trade disputes come to an end. The IEA does not expect the market to struggle to meet this additional demand, estimating that non-OPEC supply will grow by 2.3MMbbls/d. This increase is expected to come from the US, Brazil, Canada and Norway. The IEA may be too optimistic with this supply growth, particularly from the likes of Brazil, which has failed to live up to the IEA growth estimates in recent years.

Speculative positioning & OPEC: Latest positioning data continues to show speculators reducing their net long in oil. Speculators sold 12,301 lots in ICE Brent to leave them with a net long of 292,026 lots as of last Tuesday. However, WTI saw a more significant reduction, with speculators selling 53,956 lots, leaving them with a net long of just 129,416 lots as of last Tuesday- the smallest net long since February.

Speculators are trying to balance concerns over demand growth, along with growing Middle East tension and OPEC+ policy. The Saudi Energy Minister over the weekend said that the OPEC+ meeting will likely take place in early July, and he hopes that all members of the pact agree to extend the deal into the second half of the year. As usual, the big unknown is what Russia will decide to do.

Metals

Chinese steel output: NBS data shows that China's crude steel output hit a record high once again in May, with production up 10% year-on-year (+4.8% month-on-month) to reach 89.1mt. Total steel output during the first five months totalled 405mt; up 10.2% from the same period last year. Beijing's support to infrastructure spending and higher steel margins during April-1H May has supported steel output. Meanwhile, SteelHome data showed that iron ore port inventories dropped by 2.9mt last week, with total withdrawals of 30.2mt since early April. Total inventories stand at 118.7mt- the lowest levels seen since January 2017.

Speculative positioning: Money managers continue to hold a negative view of the copper market, with speculators increasing their net short in COMEX copper by 6,060 lots over the last reporting week, to leave them with a record net short of 51,737 lots. The gross short position in copper stood at almost 102k lots as of last Tuesday, which is also a record short, and appears to reflect investors' broader macro concerns. These concerns have been constructive for gold, with speculators increasing their net long in COMEX gold by 38,803 lots to leave them with a net long of 156,718 lots as of last Tuesday, as speculators seek safe-haven assets. The US Fed is meeting this week and the decision/commentary on rates and the economic environment will likely be key for gold prices this week.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	62.01	1.14	15.26	Spot Gold (US\$/oz)	1,341.7	-0.05	4.62
NYMEX WTI (US\$/bbl)	52.51	0.44	15.64	Spot Silver (US\$/oz)	14.9	-0.19	-3.98
ICE Gasoil (US\$/t)	564	1.08	10.43	LME Copper (US\$/t)	5,822	-0.61	-2.40
NYMEX HO (Usc/g)	183	1.26	8.84	LME Aluminium (US\$/t)	1,765	-1.26	-4.41
Eurobob (US\$/t)	595	0.00	24.10	LME Zinc (US\$/t)	2,453	-0.97	-0.57
NYMEX RBOB (Usc/g)	173	0.73	30.88	LME Nickel (US\$/t)	11,864	0.24	10.98
NYMEX NG (US\$/mmbtu)	2.39	2.67	-18.81				
TTF Natural Gas (EUR/MWh)	11.32	-0.67	-48.51	CBOT Corn (Usc/bu)	453	2.49	20.80
				CBOT Wheat (Usc/bu)	539	0.56	7.00
API2 Coal (US\$/t)	61	-1.14	-28.16	CBOT Soybeans (Usc/bu)	897	0.99	1.61
Newcastle Coal (US\$/t)	71	-1.11	-29.54	ICE No.11 Sugar (Usc/lb)	12.75	0.00	5.99
SGX TSI Coking Coal (US\$/t)	195	0.52	-8.02	ICE Arabica (Usc/lb)	96	-1.39	-5.74
SGX Iron Ore 62% (US\$/t)	105.04	-1.26	51.20	ICE London Cocoa (GBP/t)	1,831	-0.27	3.68

Source: Bloomberg, ING Research

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