The Commodities Feed: Oil ignores Covid-19 surge

Your daily roundup of commodity news and ING views

Energy

Oil continues to trade in a rangebound manner, with ICE Brent just below US$43/bbl in early morning trading in Asia. The market appears to be shrugging off the surge in Covid-19 cases in the US, but we will get a better idea of what impact tighter restrictions in several states have had on gasoline demand with the EIA report this week. For now, data for several cities in affected states does not show a significant reduction in road traffic week-on-week.

Turning to supply, and all attention will be on OPEC+ once again in the coming weeks, with the group's Joint Ministerial Monitoring Committee (JMMC) set to meet in mid-July. The key interest here will be what the JMMC recommends to the broader OPEC+ group. Currently, output cuts are set to be eased from 1 August, which will see the level of cuts reduced from 9.6MMbbls/d in July to 7.7MMbbls/d. Last week, the Russian energy minister had said a decision has not been made yet. However, it appears (unsurprisingly), that Russia is keen to stick to the original deal, and start reducing the scale of cuts from next month.

Finally, the latest exchange data from ICE shows that speculators increased their net long in ICE Brent by 12,472 lots over the last reporting week, to leave them with a net long of 214,141 lots, which is the largest position speculators have held in Brent since early March. The bulk of buying over the week was as a result of short-covering, rather than fresh longs entering the market. Given the level of uncertainty in the market, specifically around demand, it is not too surprising that fresh longs are reluctant to enter the market. Positioning data for WTI will be released only later today, with the delay due to a US holiday on Friday.

Metals

Base metals traded mostly lower on Friday, with LME copper breaking briefly back below the US$6,000/t level. The latest data from Chile's copper commission, Cochilco, showed that Chile produced 493kt of copper in May, up 1% YoY, while cumulative copper output for the first five months of the year grew more than 3% YoY to total 2.37mt. Meanwhile, the China Smelters Purchase Team (CSPT), agreed on treatment charge of US$53/t for copper concentrate over 3Q20, down considerably from the US$67/t agreed for 1Q20 (smelters failed to reach an agreement for 2Q20). The agreement comes just a day after Chinese smelters, Tongling Nonferrous and Jiangxi Copper agreed with Antofagasta on a treatment charge of US$60.8/t for the first half of next year.

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