

The Commodities Feed: Oil remains firm

Your daily roundup of commodity news and ING views



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Energy

ICE Brent started the week on a positive note and has been trading with a gain of around 1% on Monday on optimism over demand prospects, amid a tightly supplied market. Rising uncertainty around Russia-Ukraine tensions has also helped the market after the US asked families of embassy staff in Ukraine to leave and issued an advisory against travel to Ukraine. Meanwhile, supplies from OPEC+ could continue to increase at a slower pace than the agreed increment of 400Mbbbls/d per month due to capacity constraints, disruptions and other production-related issues which would keep market supplies tight; Iraq reported that its exports are likely to remain steady this month.

The latest positioning data from CFTC shows that speculators increased their net long position in NYMEX WTI by another 23,770 lots over the last week, leaving them with net longs of 311,596 lots as of 18 January. Money managers have increased net longs by a cumulative 66,307 lots since making a recent low in mid-December, reflecting the optimism on crude oil demand. Meanwhile, money managers trimmed their net longs in ICE Brent by a marginal 2,049 lots over the last week after increasing bullish bets by a significant 95,371 over the preceding three weeks. Despite the recent build-up of long positions, speculative longs are still some distance away from the recent highs seen in October 2021.

Metals

Metals slipped during earlier London sessions after a strong rally last week. After a historic squeeze

in spreads with prices running into the overbought zone, nickel plunged by more than 2% this morning. Tsingshan confirmed its first shipment of nickel matte to China coming out of its NPI-to-matte conversion project in Indonesia. Moreover, there was some market chatter that some industry participants from China onshore had called for state reserves to be released to ease the current market tightness and expand deliverables against the ShFE contracts. Meanwhile, there are also reports that nickel matte 'should be subject to export tax' according to the general chairman of the Indonesian Mining Experts Association. This came after they recent repeatedly called for an export tax on NPI.

Downstream activities have become quieter given that it's only a week before the Chinese New Year. As for copper, spot purchases were reported to be scant in the onshore market, with macro in the driving seat in the short term. Over the weekend, Teck issued a statement confirming that it had reached a new contract with workers at Highland Valley Copper to avoid an imminent strike.

Agriculture

Weekly data from the USDA shows that soybean and corn sales from the US improved last week and that export sales were better than market expectations. The US sold around 1.2mt of corn over the week ended 13 January compared to 0.5mt a week ago; although export sales are still lower than the 1.5mt of sales at this point in the season last year. Similarly, soybean sales from the US improved from 0.9mt to 1.2mt last week; although it remains significantly below the 2.6mt of sales a year ago.

CFTC data shows that speculators continued to liquidate their long position in CBOT corn over the last week. Managed money net longs in CBOT corn dropped by another 17,856 lots over the last week, the third consecutive drop in net long positions. Managed money net longs in CBOT corn have now dropped to 326,523 lots as of 18 January. Speculators also trimmed their net long position in CBOT soybean by 7,240 lots over the last week on reports of improving weather in South America and a strong start to the export season in Brazil.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

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