

Snap | 5 October 2020

COMMODITIES DAILY

# The Commodities Feed: Oil sell-off

Your daily roundup of commodity news and ING views



Oil prices are trading softer this morning, with further talks between the US and Iran planned for Thursday

## Energy

Oil settled below US\$40/bbl on Friday, with the market fretting over news that President Trump tested positive for Covid-19, while a surge in Covid-19 cases across parts of Europe continues to be a concern for the oil market. The latest Commitment of Traders Report shows that speculators reduced their net long in ICE Brent by 6,974 lots over the last reporting week, to leave them with a net long of 97,222 lots as of last Tuesday. However, given the pressure we saw on the market towards the end of last week, the current net long is likely even smaller.

The supply side is also not helping the oil market, with Libyan oil output continuing to edge higher, and according to a Bloomberg report, is pumping at around 295Mbbbls/d. This is up from 270Mbbbls/d on Thursday, and well above the roughly 100Mbbbls/d the country was pumping prior to the lifting of export blockades. Libya still has some distance to go to get back to the more than 1MMbbbls/d it was producing at the start of the year. Elsewhere, the latest data from Baker Hughes shows that the US oil rig count increased by 6 over the last week, leaving the total number of active oil rigs at 189, which is the highest count seen since June.

Finally, according to the Norwegian Oil and Gas Association, oil workers have decided to escalate their strike action this week in Norway, which will affect 6 fields. These 6 fields

produce around 330,000 boe/d, and so around 8% of total Norwegian Continental Shelf output is at risk if production at these fields needs to be shut-in due to strike action.

### Agriculture

Speculative interest in soybeans and corn continued over the last week, with managed money net longs in CBOT soybean and corn rising further on stronger exports to China and expectations of a tight market moving ahead. CFTC data shows that money managers increased their net long position in CBOT soybean by 17,900 lots over the last week to hold a net long of 229,043 lots as of 29 September, the largest net long in around 8 years. The increase was driven predominantly by fresh buying, with the gross long position increasing by 16,295 lots, while shorts covered 1,605 lots over the week. Similarly, managed money net longs in CBOT corn increased by 10,908 lots over the week, as speculators covered 9,486 lots of their short position.

Argentina has lowered the export duty on soybeans from 33% to 30%, for the month of October. The export duty will be increased gradually over the next two months to settle back at 33% in January 2021. The government also lowered the export duty on soybean meal and soybean oil from the current 33% to 27-28% for October which will be increased gradually to 30-31% by January 2021. The government aims to increase soybean exports in order to increase USD inflows.

### Author

#### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In

## **THINK economic and financial analysis**

the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).