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 295Mbbls/d. This is up from 270Mbbls/d on Thursday, and well above the roughly 100Mbbls/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 1MMbbls/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

Disclaimer