

The Commodities Feed: Oil soars on Saudi Aramco attack

Your daily roundup of commodity news and ING views



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Energy

Oil on fire – ICE Brent is up around 10% this morning after weekend drone attacks on oil infrastructure in Saudi Arabia, which resulted in capacity closure in the country. Saudi Arabia is reported to have lowered output by around 5.7MMbbls/d, representing nearly 20% of OPEC production and 5-6% of global oil supply. The Iranian-backed Houthis in Yemen took responsibility for the attacks though the US and Saudi Arabia suspect Iran itself played a role, reigniting geopolitical tensions in the Middle East. The risk of escalation remains high with President Trump tweeting that “we know the culprit and are locked and loaded depending on verification... to proceed”. The market has started to price in a supply risk premium, concerned that the geopolitical tensions could result in prolonged outages for oil production in Saudi Arabia and elsewhere. The Brent forward curve tightened with the Oct/Dec spread increasing to US\$2.4/bbl on these concerns as traders pay more for immediate supplies. [We discuss the issue in more detail here.](#)

Speculative positioning – Exchange data shows that money managers increased net long position in ICE Brent by 51,639 lots last week, with them now holding a net long position of 293,878 lots as of 10 September. Speculators built new longs of 37,759 lots and covered 13,880 lots of short positions. Similarly, speculative net longs in NYMEX WTI also increased by 32,914 lots over the

week with them now being net buyers of 201,168 lots. Optimism over the US/China trade talks and expectations of continued output cuts by Saudi Arabia after a change in the energy ministry have boosted bullish sentiment for oil. The escalation of geopolitical tensions in the Middle East this week is likely to further push up bullish bets on oil. Turning to products, and money managers increased net longs in NYMEX gasoline and ICE gasoil by 9,486 lots and 28,660 lots respectively.

Metals

CFTC data – Weekly data from the CFTC shows that managed money net shorts in COMEX copper dropped by 19,920 lots over the last week on improved sentiment in the market after the US/China delayed some of the tariffs and agreed on the next round of trade talks in early October. Speculators covered 15,611 lots of shorts over the week and built new longs of 4,309 lots. On the other hand, speculators reduced net longs in gold by 42,981 lots over the week, with them holding a net long position of 247,728 lots as of last week. Money managers have booked some profits in gold at higher prices, as risk appetite seems to be returning to the market.

China steel output and economic data – China's steel production recovered 2.2% month-on-month (+9.3% year-on-year) to 2.81mt per day in August 2019 as falling iron ore prices improved the profitability of steel mills. Iron ore prices in China dropped around 25% in August while domestic steel prices were down only around 5-10%. Cumulatively, Chinese steel output is up 9.1% YoY to 665mt over the first eight months of the year. Meanwhile, the economic data from China was on the softer side in August with industrial output up 4.4% YoY (against market expectations of 5.2%) and retail sales increasing by 7.5% (compared to 7.9% expectations). The weak economic data further increases the possibility of stimulus going forward which may keep sentiment positive in the immediate term.

Agriculture

Ghana cocoa production – the Ghana Cocoa Board has lowered production estimates of cocoa in the country to 800kt for the 2019/20 season compared to its earlier estimates of 950kt due to the swollen-shoot virus on the cocoa trees. Ghana is the second largest cocoa producer in the world supplying nearly 20% of global cocoa demand. Lower output from Ghana could tighten a finely balanced global cocoa market – ICCO estimates that the global cocoa market was in a narrow surplus of 18kt in 2018/19.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	60.22	-0.26	11.93	Spot Gold (US\$/oz)	1,488.5	-0.72	16.07
NYMEX WTI (US\$/bbl)	54.85	-0.44	20.79	Spot Silver (US\$/oz)	17.4	-3.62	12.58
ICE Gasoil (US\$/t)	577	-2.12	12.97	LME Copper (US\$/t)	5,975	2.43	0.16
NYMEX HO (Usc/g)	188	-0.39	11.72	LME Aluminium (US\$/t)	1,810	0.39	-1.95
Eurobob (US\$/t)	568	0.00	18.41	LME Zinc (US\$/t)	2,385	1.62	-3.32
NYMEX RBOB (Usc/g)	155	0.01	17.33	LME Nickel (US\$/t)	17,750	-1.33	66.04
NYMEX NG (US\$/mmbtu)	2.61	1.55	-11.09				
TTF Natural Gas (EUR/MWh)	14.71	1.71	-33.08	CBOT Corn (Usc/bu)	356	0.28	-5.20
				CBOT Wheat (Usc/bu)	486	0.00	-3.48
API2 Coal (US\$/t)	66	0.46	-22.43	CBOT Soybeans (Usc/bu)	885	0.20	0.25
Newcastle Coal (US\$/t)	69	1.54	-31.71	ICE No.11 Sugar (Usc/lb)	10.89	1.21	-9.48
SGX TSI Coking Coal (US\$/t)	150	0.58	-29.45	ICE Arabica (Usc/lb)	100	-0.85	-2.31
SGX Iron Ore 62% (US\$/t)	96.24	1.60	38.53	ICE London Cocoa (GBP/t)	1,697	3.86	-3.91

Source: Bloomberg, ING

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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