

The Commodities Feed: OPEC supply jumps in July

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

Oil continues to trade in an incredibly rangebound manner, with Brent still anchored around the \$43/bbl level. Speculators appear to be getting more nervous about the demand recovery, with the path much more gradual than market expectations coming into the second half of the year. The latest exchange data show that the managed money net position in ICE Brent decreased by 20,899 lots over the last reporting week, leaving a net long of 191,625 lots as of last Tuesday. Whilst similarly for NYMEX WTI, CFTC data show that speculators reduced their net longs over the last reporting week.

This stall in demand comes at a time when the market is already starting to see supply coming back. A Reuters survey shows that OPEC output increased by 970Mbbbs/d MoM in July to average 23.32MMbbbs/d, with the extra voluntary cuts from Saudi Arabia, the UAE and Kuwait ending. Obviously supply from OPEC+ will increase further this month, with the group starting to ease cuts, which means an additional 1.9MMbbbs/d of supply entering the market. Given this additional supply, expectations are that the Saudis will cut their official selling price (OSP) for Arab Light into Asia for September. If this is the case it would be the first reduction since May. Aramco is expected

to release the OSP for September later this week.

Metals

Spot gold has hit fresh highs in early morning trading in Asia, with prices trading above US\$1,990/oz. Clearly support has come from US 10 year yields falling to a low of 0.5282%, whilst real yields hit negative 1% on Friday. Meanwhile, inflows into gold ETFs continue to surge, with net inflows of 4.98moz in July, taking total known ETF holdings to a fresh record of 107.91moz.

Most base metals remained in negative territory on Friday, as weak economic data from the US and Europe overshadowed the rebound in Chinese manufacturing. LME copper prices fell below US\$6,400/t, whilst aluminium prices were also seen trading close to the US\$1,700/t mark. Meanwhile, LME data showed that copper on warrant inventories continued to fall, posting their largest monthly decline since 2009, with inventories dropping by 88.4kt over July, taking total stocks to 128kt as of Friday. Looking at copper mine supply, the latest government data from Chile shows that output declined by just 0.6% to 472kt in June, as mines continued to operate with reduced staff due to the rise in Covid-19 cases among workers.

Finally, looking at CFTC data, the managed money net long in Comex copper hit a two-year high of 59.7k lots, having had a fairly neutral position at the start of June. Meanwhile for gold, despite the surge in prices in recent weeks, speculators remain largely on the side-lines. In fact, speculators reduced their net long in Comex gold by 9.7k lots over the reporting week, to leave them with a net long of 174.5k lots - still quite some distance from the record net long of 292k lots seen in September last year.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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 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.