The Commodities Feed: Pipeline shutdown

Your daily roundup of commodity news and ING views

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Energy

Refined product prices this morning are trading higher, after the Colonial pipeline in the US was temporarily shut following a ransomware cyberattack on Friday. This pipeline is crucial for the supply of refined products from the US Gulf Coast to the US East Coast, transporting around 2.5MMbbls/d of product, which is almost 50% of total East Coast consumption. The big unknown is how long the shutdown will last, but clearly the longer it goes on, the more bullish it will be for refined product prices. The latest update from the company said that while the main pipelines remain shut, some smaller lateral lines running between terminals and delivery points are now back online. Stronger prices on the US East Coast will drag refined product prices higher in other regions, given that an extended shutdown will see the East Coast having to turn to waterborne cargoes, particularly from Europe.

The latest positioning data shows that speculators increased their net long in ICE Brent by 11,471 lots over the last reporting week, leaving them with a net long of 316,570 lots as of last Tuesday. The move was predominantly driven by fresh longs entering the market. NYMEX WTI saw similar increases, with the managed money net position increasing by 12,158 lots to leave a net long of 384,436 lots. The stronger price environment has also seen producers pricing into it, with the producer short in NYMEX WTI increasing by 7,793 lots over the reporting week, leaving them with a gross short of 733,994 lots - levels last seen back in 2017.

Finally, there are a number of data releases out this week. Tuesday will see OPEC release its monthly market report, which will include OPEC supply numbers for April, along with the group's views on the outlook for the market. This will be followed by the EIA's Short-term Energy Outlook on the same day. Wednesday will see the IEA release its monthly oil market report, in which they will share their outlook for the oil market.

Metals

The disappointing April non-farm payrolls report on Friday fanned the flames for a further rally in the metals complex as the USD was sold off. LME copper futures hit an all-time high, and zinc prices jumped above US$3,000/t for the first time since June 2018. USD weakness, along with a fall in US treasury yields boosted spot gold prices well above US$1,800/oz, and to levels last seen back in February.

According to Antaike, a group of 15 Chinese copper smelters have decided to trim concentrate purchases by 1.26mt (equivalent to 300kt Cu), while increasing the usage of blister and scrap. This comes after their meeting held at the end of April on achieving qualitative growth in the domestic copper smelting industry, with growing pressure within the country to cut carbon emissions. The latest agreement to cut concentrate purchases also comes at a time when smelters are feeling a squeeze on margins, with spot treatment charges remaining at just under US$30/t.

The latest data from China Customs shows that the nation's copper concentrate imports in April fell 12% MoM to 1.92mt; although imports over the first four months still grew 4.4% YoY. Imports of refined copper and copper semi-fabricated fell 12% MoM in April, due to the absence of a profitable arbitrage for onshore traders. Instead, the stronger run in LME copper prices led to a brief open of the export arbitrage.

Finally, the latest CFTC data shows that speculators increased their net long position in COMEX copper for a third consecutive week, buying 10,906 lots over the last reporting week, and leaving them with a net long of 66,421 lots as of last Tuesday. For precious metals, speculators increased their net long in COMEX gold by 2,979 lots, to leave them with a net long of 66,133 lots, while also increasing their net long in silver for a fifth straight week by 6,098 lots.

Agriculture

CBOT corn ended the week on a positive note and settled 1.7% higher for the day at US$7.73/bu, with weekly gains of around 4.4%, given concerns over Brazilian corn output. The weekly Commitment of Traders report from the CFTC showed that speculators have used the current rally to take profits, and reduce their long exposures in grains. Money managers lowered their net longs in CBOT corn by 6,115 lots over the last week, with the reduction predominantly driven by longs liquidating. Similarly, managed money net longs in CBOT soybean dropped by 5,215 lots over the last week, falling to a net long position of 174,799 lots as of 4th May. CBOT wheat also saw the net long decline by 2,676 lots over the week.

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