

The Commodities Feed: Russia & IMO 2020

Your daily roundup of commodity news and ING views



Energy

Rig count & spec positioning: Oil had a relatively strong week last week, with ICE Brent settling above US\$62/bbl, up 4.4% WoW. The key driver behind this strength was the large oil and products draw reported by the EIA on Wednesday. Meanwhile, latest COT data also shows that speculators increased their net long in ICE Brent by 5,458 lots over the last reporting week, leaving them with a net long of 208,351 lots as of last Tuesday. This is the first net increase in the spec net-long since early September, and we would expect that the current position has grown further, given the price action we have seen in the market since Tuesday. Looking further ahead, if trade talks continue to progress, and we see full agreement to phase 1 of the deal, this should help to improve sentiment further.

Turning to US rig activity, Baker Hughes reported that over the last week the US oil rig count declined by 17 to total 696 - this is the lowest rig number seen since April 2017, and since the start of this year the rig count has fallen by 189. This slowing rig activity does call into question the more aggressive oil production growth forecasts for 2020- the EIA currently estimates that US output will grow by 900Mbbbl/d over 2020.

IMO 2020 & Russia: Bloomberg reports that Russia will look to delay the full implementation of IMO 2020 regulations until 2024. The regulations will see shippers around the world having to move from a fuel oil with a sulphur limit of 3.5% to just 0.5%. The delay would be only for vessels

operating in local waters, and the country plans to comply with regulations in international waters. Russia is a key high sulphur fuel oil producer, and despite extensive refinery upgrades over the years, refineries still yield sizeable volumes of high sulphur fuel oil.

Metals

Global steel output: Latest data from the World Steel Association shows that global crude steel production saw a marginal decline of 0.3% YoY to total 151.5mt in September, although MoM, global output fell by 2.9%. This shouldn't come as too much of a surprise given the pressure that we have seen on margins. Meanwhile, Chinese crude steel output was up 2.2% YoY to total 83mt while RoW output declined by 3% YoY to 68.7mt in September. Cumulatively, global crude steel output increased by 3.9%YoY to 1,391mt over the first nine months of 2019, with most of the increase coming from China.

CFTC data: Weekly data from the CFTC showed that money managers increased their net long marginally in COMEX gold by 6,177 lots over the last week with them holding a net long of 225,930 lots as of 22 October. While the spec long position in gold is off from the highs seen last month, investors still seem to be favouring safe-haven assets, particularly when looking at ETF holdings in gold which stand at 82.1mOz- levels last seen back in 2013. Meanwhile, speculators reduced their net short in COMEX copper by 9,046 lots over the week, to leave them with a net short of 43,828 lots as of last Tuesday.

Agriculture

Speculative positioning: Latest CFTC data shows that money managers increased their bullish bets in CBOT soybean once again, with 19,793 lots bought over the reporting week, leaving speculators with a net long of 68,822 lots as of the 22 October. Increased Chinese buying of US soybeans has proved constructive, whilst the supply side is looking tighter, on the back of reduced US acreage, and poorer yields.

Meanwhile, speculators increased their net short in No.11 sugar over the last week by 29,759 lots, leaving them with a net short of 202,949 lots as of 22 October. This is despite the fact that the global sugar market is set to return to a deficit in the current marketing year. The risk of sizeable exports from India seems to be keeping investors nervous.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	62.02	0.57	15.28	Spot Gold (US\$/oz)	1,504.6	0.04	17.32
NYMEX WTI (US\$/bbl)	56.66	0.76	24.77	Spot Silver (US\$/oz)	18.0	1.29	16.42
ICE Gasoil (US\$/t)	598	-0.21	17.03	LME Copper (US\$/t)	5,925	0.77	-0.67
NYMEX HO (Usc/g)	198	-0.34	17.78	LME Aluminium (US\$/t)	1,728	0.23	-6.39
Eurobob (US\$/t)	568	0.02	18.47	LME Zinc (US\$/t)	2,510	0.76	1.74
NYMEX RBOB (Usc/g)	167	0.59	26.39	LME Nickel (US\$/t)	16,775	-0.50	56.92
NYMEX NG (US\$/mmbtu)	2.30	-0.69	-21.77	CBOT Corn (Usc/bu)	387	0.00	3.13
TTF Natural Gas (EUR/MWh)	15.24	-2.69	-30.69	CBOT Wheat (Usc/bu)	518	0.34	2.88
API2 Coal (US\$/t)	60	-1.80	-29.28	CBOT Soybeans (Usc/bu)	920	-1.39	4.28
Newcastle Coal (US\$/t)	67	-0.52	-33.78	ICE No.11 Sugar (Usc/lb)	12.35	0.41	2.66
SGX TSI Coking Coal (US\$/t)	145	-1.56	-31.66	ICE Arabica (Usc/lb)	99	3.11	-2.36
SGX Iron Ore 62% (US\$/t)	85.63	1.18	23.26	ICE London Cocoa (GBP/t)	1,913	-0.73	8.32

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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