

# The Commodities Feed: Saudi Arabia unwilling to deviate from OPEC+ policy

Your daily roundup of commodities news and ING views



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## Energy

The oil market traded lower for yet another week, down almost 5.5% over the course of last week, although ICE Brent still managed to settle above the US\$100/bbl level. Towards the end of the week all attention was on President Biden's trip to the Middle East and specifically to Saudi Arabia. However, there was nothing definitive to take away from these meetings with regards to oil production policy. While comments from the US suggest that they believe that producers in the Middle East will take steps to increase output in the coming weeks, comments from Saudi Arabia were less optimistic. The Saudis have said that any changes in output would be done within the broader OPEC+ framework, and that the group would monitor the market and respond if needed. The next OPEC+ meeting is on 3 August. However, with the exception of Saudi Arabia and the UAE, there is little in the way of spare capacity amongst producers.

An OPEC member where we are seeing an increase in exports and output is Libya, where political unrest has weighed on the oil industry heavily over recent months. The government has replaced the board of the National Oil Corporation and lifted force majeure from all ports and fields. In June, Libya produced 629Mbbbls/d, down from almost 1.1MMbbbls/d over 1Q22. While force majeure have

been lifted, there is still plenty of uncertainty over supply given that some militia are not willing to accept the board changes at NOC.

The latest positioning data shows that, unsurprisingly, speculators reduced their net long in ICE Brent by 3,374 lots over the last reporting week to leave them with a net long of 139,628 lots as of last Tuesday. This is the smallest net long held since November 2020. The decline seen in the net long since mid-June is a reflection of concerns over the demand outlook, with growing fears of a recession.

All attention will be on the European gas market this week. Annual maintenance of the Nord Stream pipeline is set to finish on 21 July, and the real concern is that gas flows do not resume once maintenance is complete. Prior to the annual maintenance starting, Russian gas flows along the pipeline were around 60% below normal levels. Gazprom blamed this fall on a delay in the maintenance of turbines. A prolonged period of reduced flows along the pipeline would mean that Europe will potentially have to tap into inventories over the summer, which would leave the region much more vulnerable as we head into the next heating season. Currently, European gas storage is a little under 63% full, which is below the 5-year average of around 65%, but well above levels seen at this stage last year of around 52%.

## Metals

Industrial metals have bounced back this morning, with LME copper trading above US\$7,200/t at the time of writing, after having traded below US\$7,000/t at the end of last week. Pressure on the USD index this morning is likely providing some support to the complex. However, there are still concerns, particularly around China. The Chinese economy grew by just 0.4% YoY in 2Q22, which was lower than the 1.2% the market was expecting. In addition, the domestic property market continues to deteriorate. Property prices fell for a tenth consecutive month in June, while recent reports of mortgage boycotts in China will do little to help sentiment. The outlook for metals is going to rely heavily on the performance of the Chinese economy for the remainder of the year, along with how much stimulus the government is willing to pump into the economy to try support growth.

The latest CFTC data shows that speculators decreased their bearish bets in COMEX copper by 8,185 lots over the last reporting week, leaving them with a net short of 18,313 lots as of last Tuesday. As for gold, speculators decreased their net long in COMEX gold by 24,058 lots, to leave them with a net long of just 2,748 lots. This is the smallest net long speculators have held since April 2019. The strength in the USD, along with expectations of more aggressive rate hikes from the US Fed, has done little to support gold prices in recent weeks.

## Agriculture

The latest data from the CFTC shows that market sentiment was soft last week among speculators due to macro concerns. Money managers trimmed their net long position in CBOT corn by 21,693 lots over the last reporting week, pushing their net longs to just 151,174 lots. The move lower was predominantly driven by longs liquidating, as gross longs dropped by 16,972 lots. Similarly in soybeans, the managed money net long declined by 9,337 lots over the last week. For wheat, speculators increased their net short position in CBOT wheat by 6,402 lots to 6,444 lots. The pessimism among speculators was reflected in the price action as well over the last week, with CBOT wheat falling by around 13% over the week, whilst CBOT corn and soybean dropped by 5% and 3% respectively.

## Author

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

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