

The Commodities Feed: Sentiment remains bullish

Your daily roundup of commodity news and ING views



Energy

The oil market finished off last week strongly. ICE Brent managed to settle above US\$93/bbl, up around 3.6% over the week. The prompt ICE Brent spread has also continued to see significant strength recently, trading to a high of US\$1.68/bbl. Sentiment in the market clearly remains bullish, with concern over spare capacity and continued geopolitical risks due to Russian/Ukrainian tensions. Cold weather in Texas will have also raised worries that we may see a repeat of the supply disruptions of February last year. The options market is also proving supportive, with sellers of U\$100/bbl calls having to hedge their position as the market nears the US\$100/bbl level.

Interestingly, the latest positioning data shows that speculators reduced their net long positions in ICE Brent over the last reporting week. The net long in Brent fell by 12,296 lots leaving speculators with a net long of 229,591 lots as of 1 February. The biggest change over the week in positioning came from producer shorts, which decreased by 90,305 lots over the reporting week.

Over the weekend, Aramco announced its official selling price for March cargoes and there were increases across the board. Arab Light into Asia was increased by US\$0.60/bbl MoM to US\$2.80/bbl over the benchmark, whilst values into the US, NW Europe and the Med also saw increases. These

increases come despite OPEC+ agreeing to increase oil output by another 400Mbbbls/d in March.

There is a fair amount of data being released this week. Tuesday will see the EIA release its Short Term Energy Outlook, which will include its latest US oil production forecasts. This will be followed by the OPEC monthly report on Thursday and then the IEA monthly oil market report on Friday.

Metals

Metals were fairly mixed on Friday after strong US jobs data made it more likely that the Fed will embark on aggressive rate hikes. During the week when the Chinese market was closed for holidays, the US dollar remained the main factor dictating price direction as there have been few new fundamental developments.

Russian aluminium producer, Rusal, forecasts a deficit of 1.6mt-1.7mt for the global aluminium market in 2022, and they don't see a significant risk of sanctions in the light of the ongoing tensions between Russia and Ukraine. As for nickel, there are reports that Tsingshan has been continuing with nickel matte shipments from its Indonesian plant to China. LME nickel prices retreated on the news that Tsingshan made its first delivery on 24 January. However, this weakness was short-lived and prices rebounded with a tight class 1 market leading to a continued drawdown in inventory.

As for the latest CFTC report, speculators trimmed their net long position in COMEX copper, selling 9,529 lots over the last reporting week, leaving them with a net long of 19,256 lots as of last Tuesday. For precious metals, speculators decreased their net long in COMEX gold by 55,160 lots (biggest weekly decline since 10 August 2021), to leave them with a net long of 62,548 lots.

Agriculture

CBOT soybeans traded firm on Friday and settled with gains of around 5.7% for the week at US\$15.54/bu. Expectations of tight supply from Brazil and Argentina has helped demand for US soybeans. Meanwhile, speculators continue to build fresh long positions in CBOT soybeans ahead of the USDA's monthly WASDE report on Wednesday, as expectations are that the agency could revise down both US and global inventory estimates for 2021/22. CFTC data shows that managed money net longs in CBOT soybeans increased by 39,593 lots over the last week, pushing the net long position to an 8-month high of 154,488 lots as of 1st February. The move higher was predominantly driven by fresh longs.

For corn, the USDA may revise down both global and domestic inventory estimates; although, the downside revision could be smaller than that for soybeans. The speculative interest in CBOT corn ahead of the WASDE report remains stable with the net long position increasing by just 6,946 lots to 372,551 lots.

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