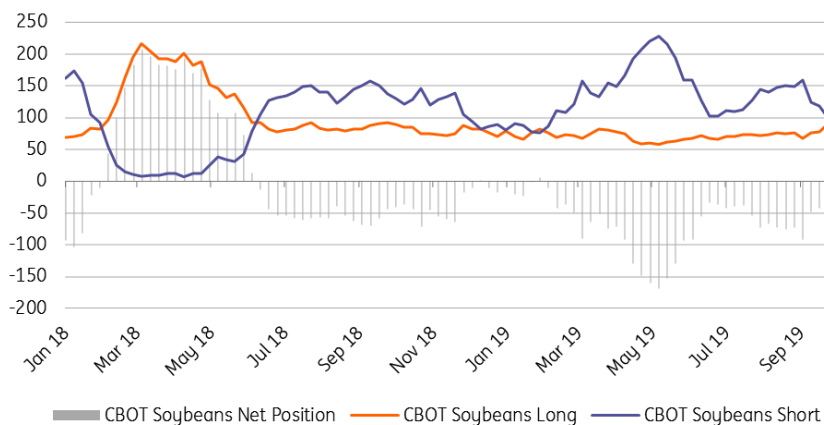


# The Commodities Feed: Soybean short covering

Your daily roundup of commodity news and ING views



## Speculative short covering in CBOT Soybeans (000 lots)



Source: CFTC, ING Research

## Energy

**Speculative positioning:** Unsurprisingly, given the price action over the last reporting week, speculators reduced their net long in ICE Brent by a further 16,539 lots, leaving them with a net long of 253,364 lots as of last Tuesday. All of this selling came from longs liquidating, rather than fresh selling, with the gross long position falling by 17,002 lots. Even more selling was seen in NYMEX WTI, with the latest CFTC data showing that speculators sold 62,763 lots over the last reporting week, leaving them with a net long of 135,346 lots- the smallest net long seen since June. A week of negative macro data last week is unlikely to have helped sentiment, and in the current environment, it is clearly going to take a significant amount to shift sentiment- the attack on Saudi Arabia in mid-September clearly demonstrated this.

**Buzzard shutdown:** There were media reports on Friday that the Buzzard oilfield in the North Sea has been shut temporarily for pipework repairs, and for now there is no timeline on how quickly operations will return to normal. The Buzzard field is the key contributor to the Forties blend, and according to Platts, output at the field has been running at around 120Mbbls/d. An extended outage would likely provide some relative support to Brent.

## Metals

**Central bank gold purchases:** The Peoples' Bank of China added 0.19mOz of gold to its reserves in the month of September, taking total reserves to 62.64mOz at the end of September 2019. This is the tenth consecutive month of gold purchases by China, and reflects the diversification drive away from the US dollar at a time of trade friction with the US. Gold demand from Central Banks and ETFs has been stronger this year on economic and geopolitical concerns; however higher prices have started to weigh on retail demand.

**CFTC data:** Weekly data from the CFTC shows that money managers increased their net short position in COMEX copper by 10,086 lots over the last week, with them now holding a net short of 62,741 lots as of 1 October. Gross longs declined by 3,068 lots to a one-year low of 39,870 lots, while gross shorts increased 7,018 lots to 102,611 lots. Weaker manufacturing and industrial data from China and the US continue to weigh on market sentiment. Meanwhile, speculators reduced their net long in gold by 56,892 lots over the last reporting week, leaving them with a net long of 235,174 lots as of last Tuesday. However, given the price strength seen in gold since then, along with the increase in aggregate open interest, speculators have likely increased their net long in recent days.

## Agriculture

**Spec short covering:** Speculators were seen covering a portion of their short positions in corn and soybean after the US reported lower than expected inventories in its stocks report, while increased Chinese purchases of US soybeans ahead of trade talks this week would have helped. CFTC data shows that money managers reduced their net short in CBOT soybeans by 32,958 lots last week, with them holding a net short of just 8,730 lots as of 1 October- levels not seen since February. For corn, the managed money net short fell by 33,716 lots over the week, to leave them with a net short of 126,174 lots as of last Tuesday. Most of the reduction was driven by short covering, with the gross short position declining by 27,296 lots.

**EU crop outlook:** In its latest short-term outlook, the European Commission revised lower its sugar production forecast to 17.5mt for 2019/20, compared to its earlier forecast of 18.3mt from its

summer outlook report, and the 17.6mt produced in 2018/19. Regional demand for sugar is expected to remain flat at around 18.6mt, leaving the market in deficit. The Commission expects EU sugar net imports to increase from 0.3mt in 2018/19 to 0.6mt in 2019/20. Among other crops, cereals production is expected to increase 7.6% year-on-year to 315.1mt, with wheat production rising 12.5% YoY to 146.1mt, while corn output is estimated to fall 3.74% YoY to 66.7mt.

## Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	58.37	1.14	8.49	Spot Gold (US\$/oz)	1,504.7	-0.04	17.32
NYMEX WTI (US\$/bbl)	52.81	0.69	16.30	Spot Silver (US\$/oz)	17.5	-0.07	13.25
ICE Gasoil (US\$/t)	580	2.38	13.51	LME Copper (US\$/t)	5,643	-0.34	-5.40
NYMEX HO (Usc/g)	189	0.99	12.71	LME Aluminium (US\$/t)	1,719	0.06	-6.88
Eurobob (US\$/t)	566	1.88	18.00	LME Zinc (US\$/t)	2,300	0.22	-6.77
NYMEX RBOB (Usc/g)	157	1.12	18.86	LME Nickel (US\$/t)	17,790	0.94	66.42
NYMEX NG (US\$/mmbtu)	2.35	0.99	-20.00				
TTF Natural Gas (EUR/MWh)	15.77	-1.49	-28.26	CBOT Corn (Usc/bu)	385	-1.03	2.60
				CBOT Wheat (Usc/bu)	491	0.36	-2.53
API2 Coal (US\$/t)	63	0.96	-25.68	CBOT Soybeans (Usc/bu)	916	0.49	3.82
Newcastle Coal (US\$/t)	67	0.97	-33.48	ICE No.11 Sugar (Usc/lb)	12.76	0.16	6.07
SGX TSI Coking Coal (US\$/t)	153	0.00	-27.85	ICE Arabica (Usc/lb)	99	-2.99	-2.80
SGX Iron Ore 62% (US\$/t)	88.44	-0.16	27.31	ICE London Cocoa (GBP/t)	1,956	-0.61	10.76

Source: Bloomberg, ING Research

## Author

### Warren Patterson

Head of Commodities Strategy

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

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