

The Commodities Feed: Texas chill boosts prices

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Energy

Energy prices have got another boost as a result of extremely cold weather in the US Gulf Coast. NYMEX WTI prices have broken above US\$60/bbl now, while ICE Brent is trading well above US\$63, with concerns that the extreme cold weather in Texas could lead to supply disruptions with potential well shutdowns and logistical issues. Meanwhile on the gas side, clearly colder weather has been bullish for heating demand which has seen regional spot gas prices soar, with spot gas prices in Oklahoma reportedly reaching as high as US\$600/MMBtu on Friday. Stronger domestic demand for gas, along with potential supply disruptions, will likely also feed through to lower LNG exports, which could offer some renewed support once again to spot LNG prices in Asia. Looking ahead, and the forecast shows that this colder than usual weather will be around for much of the week, and so should continue to be supportive for both gas and oil prices, particularly if we do see significant supply disruptions.

Moving on, and the Russian deputy prime minister, Alexander Novak believes that the oil market is finally balanced, and expects prices to trade at US\$45-60/bbl this year. In the weeks ahead, it will be important to listen to what the Russians have to say on the state of the market, as we do have

the OPEC+ meeting in early March, and the group will have to decide what to do with production cuts from 1 April. Will they keep production unchanged or will they ease cuts further? At current price levels, one would expect that a number of producers would push for a further easing, and this is the stance we would expect to see taken from Russia. Clearly if the Russians believe that the market is balanced, there is a good chance that they push for a more aggressive easing. However, OPEC+ will be keen to avoid a repeat of the meeting in March last year, when the previous deal fell apart.

Agriculture

Weekly data from the CFTC shows that speculators increased their net long in CBOT corn and soybean last week on optimistic expectations for the monthly WASDE report. Money managers increased their net long position in CBOT corn by 18,067 lots over the week ending 9th February 2021. The increase was predominantly driven by fresh longs of 18,764 lots over the week. Similarly, managed money net longs in CBOT soybeans increased by 11,297 lots over the week. However, some of these longs are likely to have liquidated, after the less bullish than expected WASDE.

Looking ahead, the USDA is scheduled to publish its estimates of crop acreage for next year on Thursday, and expectations are that the stronger prices will prompt farmers to increase acreage for both corn and soybean. According to a Bloomberg survey, the US corn plantings could reach 92.9m acres for the 2021/22 marketing year, compared to around 90.8m acres planted this year. Soybean acreage could increase from 83.1m acres this year to 89.8m acres in 2021/22, on the back of favourable prices. The survey estimates wheat planting to also increase by around 1m acres next year. Overall, the three grains could see total acreage increasing by around 9.8m acres next year, which should help increase grains supply for the market.

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