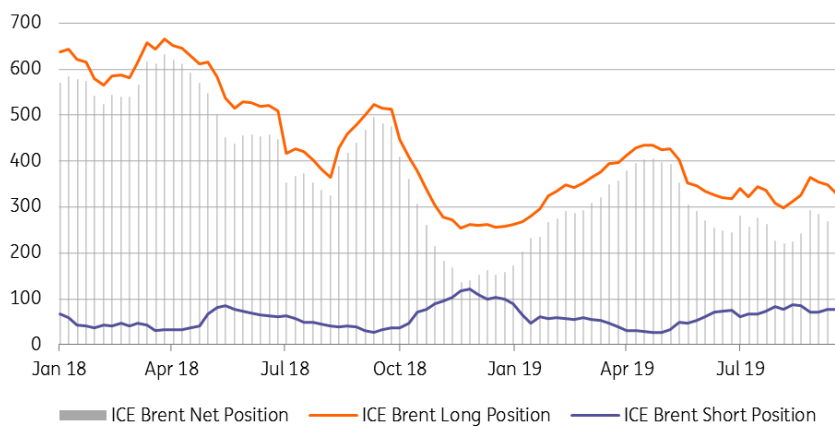


The Commodities Feed: Trade talk optimism

Your daily roundup of commodity news and ING views



ICE Brent managed money position (000 lots)



Source: Bloomberg, ICE, ING Research

Energy

Speculative pressure & trade talks: ICE Brent broke above US\$60/bbl on Friday, and managed to settle above this level, following the progress made in trade talks between China and the US. In

order to build on this strength, market participants would want to see the details, as well as confirmation of this mini deal.

The trade talks overshadowed the IEA's monthly oil market report, where the agency revised lower demand growth estimates by 100Mbbls/d for both 2019 and 2020 to 1MMbbls/d and 1.2MMbbls/d, respectively.

Meanwhile, the latest exchange data (which preceded Friday's trade news) shows that speculators continued to liquidate long positions in ICE Brent, with 47,251 lots of fresh selling over the last reporting week, leaving speculators with a net long of just 206,113 lots as of last Tuesday, which is the smallest net long held since January. The bulk of the buying were longs liquidating, rather than fresh shorts.

Looking ahead, speculative positioning will likely be dictated by how trade talks evolve, followed by expectations of how OPEC will deal with the large global surplus that is estimated over the first half of next year.

Metals

US/China trade talks: The US and China made some apparent breakthroughs in trade talks on Friday, with China agreeing to increase its imports of agri products from the US to around \$40-50 billion per year, while the US agreed to hold-off the 5% duty hike planned from 15 October on \$250 billion of Chinese goods; however, the duties imposed to date (including the planned duties for December 2019) remain in place for now.

While the agreement may not be ideal for both countries; it does point to some de-escalation in the trade dispute, and has proved positive for sentiment. Moving forward, both sides will discuss details of the agreement before it can possibly be signed in mid-November during the APAC summit in Santiago, Chile. The base metals and precious metals complex reacted mildly to developments, with the market appearing to be in 'wait and see' mode before details of the trade agreement start to emerge.

CFTC data: Weekly data from the CFTC showed that money managers increased their net long in COMEX gold by 14,458 lots over the last reporting week, with them holding a net long of 249,632 lots as of 8 October 2019. Weaker manufacturing data from China and the US, along with geopolitical concerns have been supportive for safe-haven assets, such as gold. However, now that trade talks between the US and China have started to move in a positive direction, some of these longs could be liquidated over the next few weeks.

Meanwhile, managed money net shorts in COMEX copper declined by 5,015 lots over the week to 57,726 lots. Net shorts are still significantly high, relative to historical averages, and the risk is for further short covering over the next few weeks, if trade talks continue to move in the right direction.

Agriculture

Agri complex strength: Progress in trade talks on Friday, and expectations of further Chinese buying of US agri products has proved bullish for the ags complex. CBOT corn settled 4.5% higher on the day, CBOT wheat closed more than 3% up on the day, whilst CBOT soybeans finished the day more than 1.3% higher. Key for the grains complex now is that we do in fact see this buying

coming through over the next few weeks.

Latest Chinese trade data however shows that soybean imports fell 13.5% MoM to 8.2mt over the month of September, the lowest monthly import volume seen since June. The reduction largely reflects the seasonal switch over that we see from Brazilian bean supply to US.

Finally, latest CFTC data shows that speculators bought 15,231 lots in CBOT soybeans over the last reporting week, which saw the net position switch from a net short to a net long of 6,501 lots. This is the first time speculators have held a net long in soybeans since February.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	60.51	2.39	12.47	Spot Gold (US\$/oz)	1,489.0	-0.33	16.10
NYMEX WTI (US\$/bbl)	54.7	2.15	20.46	Spot Silver (US\$/oz)	17.5	0.16	13.21
ICE Gasoil (US\$/t)	596	0.76	16.64	LME Copper (US\$/t)	5,796	0.26	-2.83
NYMEX HO (Usc/g)	196	1.92	16.47	LME Aluminium (US\$/t)	1,722	-1.77	-6.72
Eurobob (US\$/t)	569	0.43	18.54	LME Zinc (US\$/t)	2,419	1.30	-1.95
NYMEX RBOB (Usc/g)	164	0.95	23.80	LME Nickel (US\$/t)	17,550	-0.43	64.17
NYMEX NG (US\$/mmbtu)	2.21	-0.18	-24.69	CBOT Corn (Usc/bu)	398	4.60	6.07
TTF Natural Gas (EUR/MWh)	16.14	1.80	-26.59	CBOT Wheat (Usc/bu)	508	3.04	0.94
API2 Coal (US\$/t)	65	0.00	-23.44	CBOT Soybeans (Usc/bu)	936	1.35	6.06
Newcastle Coal (US\$/t)	68	-1.44	-32.59	ICE No.11 Sugar (Usc/lb)	12.41	0.00	3.16
SGX TSI Coking Coal (US\$/t)	155	-2.09	-27.12	ICE Arabica (Usc/lb)	94	0.21	-8.00
SGX Iron Ore 62% (US\$/t)	88.43	-0.48	27.29	ICE London Cocoa (GBP/t)	1,931	-0.57	9.34

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.