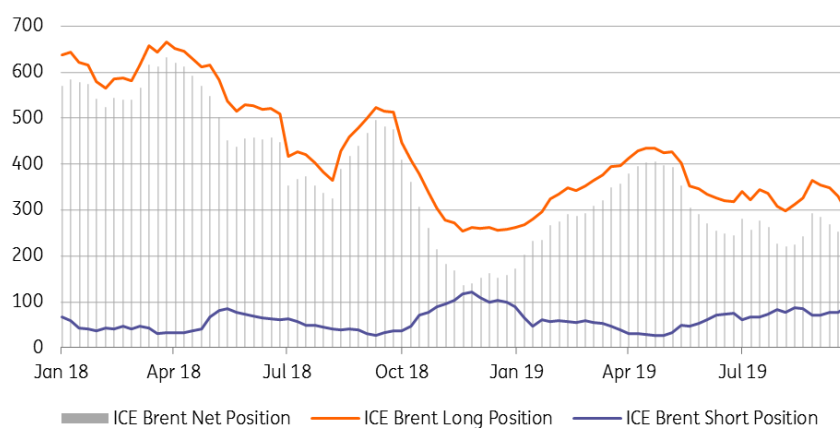


The Commodities Feed: Trade talk optimism

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 100Mbbbls/d for both 2019 and 2020 to 1MMbbbls/d and 1.2MMbbbls/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 (US\$/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 (US\$/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

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