

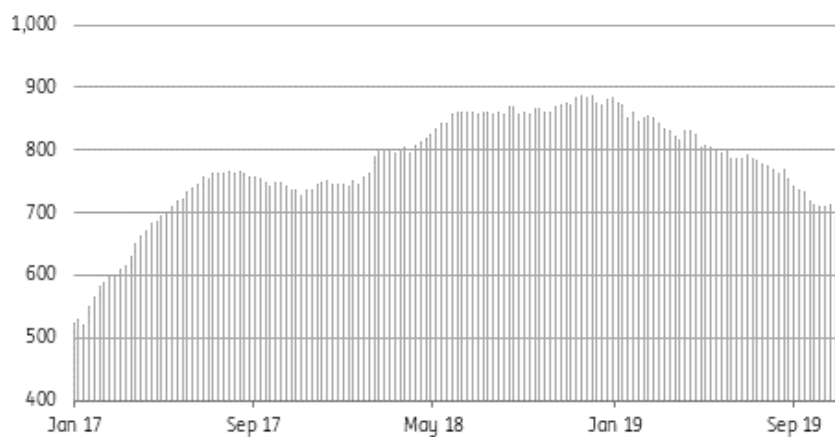
# The Commodities Feed: US active oil rigs fall to two-year low

Your daily roundup of commodity news and ING views



Source: Shutterstock

## US active oil rig count



Source: Bloomberg, ING

## Energy

**Speculative position:** Latest COT data shows that speculators increased their net long position in ICE Brent by 28,353 lots over the last week leaving the speculators with net longs of 282,352 lots as of 5 November 2019. Most of the increase comes from new longs, with gross longs increasing by 24,500 lots last week. Similarly, managed money net longs in NYMEX WTI also increased by 11,793 lots over the week with total speculative net longs rising to 116,468 lots. Expectations of phase one of the trade deal have been keeping market sentiment positive.

**US oil drilling:** Data from Baker Hughes shows that active oil rigs in the US fell by seven last week to a 2-year low of 684 as of 8 November 2019. 201 oil rigs have been idled since the start of the year as US drillers have been concentrating more on completing the wells rather than drilling new wells due to low oil prices and tight budgets. US oil production continues to maintain healthy growth for the immediate term due to wells completions and the efficiency gains; However, risks of a production slowdown increase if exploration/drilling CAPEX remains under pressure.

## Metals

**CFTC report:** The weekly report from CFTC shows that short covering continued in COMEX copper over last week on positive sentiment over the trade deal. Money managers covered 2,527 lots of net shorts in COMEX copper leaving them with net shorts of 17,838 lots, levels not seen since the end of April 2019. For precious metals, speculators reduced net longs in COMEX gold by a marginal 2,617 lots over the week leaving the speculators with net longs of 230,484 lots. However, the price action since then suggests that more longs have been liquidated over the past few sessions.

**Investment demand in gold:** Investors have been liquidating gold as the risk appetite appears to be returning in the market and demand for safe-haven assets slows down. ETF investors have sold nearly 615kOz of gold over the past two days, taking the total ETF holdings in gold to a one-month low of 81.68mOz as of 8 November. Investors have added more than 11mOz of gold to ETF holdings since the end of May 2019 and some of it could return to the market if the US/China trade deal continues to make progress. Physical demand for gold faces pressure due to high prices and a pause by China on gold buying for forex reserves. Data from Peoples' Bank of China showed that Chinese gold reserves were flat on a monthly basis at 62.64mOz as at the end of October 2019 after adding more than 3.4mOz of gold over the preceding ten months.

## Agriculture

**USDA WASDE report:** The monthly WASDE report from the USDA on Friday was fairly constructive for the grains' market as production estimates were revised downwards due to inclement weather. The USDA has lowered US corn production estimates from 13,779m bushels to 13,661m bushels due to a downside revision in the yields from 168.4bu/acre to 167bu/acre. US corn ending stocks estimates are also revised down from 1,929m bushels to 1,910m bushel.

Turning to wheat and production estimates were revised down from 1,962m bushels to 1,920m bushels which have weighed on the ending stocks estimates as well. The US soybean production estimates were left unchanged in the current report. For the global markets, the USDA has lowered the corn ending stocks estimates for 2019/20 from 303mt to 296mt mainly due to downside revisions in beginning stocks and lower production from the US. For wheat production and stocks, estimates are largely left unchanged except Russia where production estimates are revised higher from 72.5mt to 74mt.

## Daily price update

|                              | Current | % DoD ch | %YTD ch |                          | Current | % DoD ch | %YTD ch |
|------------------------------|---------|----------|---------|--------------------------|---------|----------|---------|
| ICE Brent (US\$/bbl)         | 62.51   | 0.35     | 16.19   | Spot Gold (US\$/oz)      | 1,459.0 | -0.65    | 13.76   |
| NYMEX WTI (US\$/bbl)         | 57.24   | 0.16     | 26.05   | Spot Silver (US\$/oz)    | 16.8    | -1.72    | 8.51    |
| ICE Gasoil (US\$/t)          | 577     | -1.16    | 12.87   | LME Copper (US\$/t)      | 5,924   | -0.84    | -0.69   |
| NYMEX HO (Usc/g)             | 192     | -0.11    | 14.12   | LME Aluminium (US\$/t)   | 1,808   | -0.30    | -2.09   |
| Eurobob (US\$/t)             | 578     | 0.16     | 20.59   | LME Zinc (US\$/t)        | 2,482   | -0.12    | 0.61    |
| NYMEX RBOB (Usc/g)           | 163     | -0.11    | 23.42   | LME Nickel (US\$/t)      | 16,190  | -0.06    | 51.45   |
| NYMEX NG (US\$/mmbtu)        | 2.79    | 0.61     | -5.14   |                          |         |          |         |
| TTF Natural Gas (EUR/MWh)    | 15.94   | -1.09    | -27.48  | CBOT Corn (Usc/bu)       | 377     | 0.53     | 0.60    |
|                              |         |          |         | CBOT Wheat (Usc/bu)      | 510     | -0.44    | 1.39    |
| API2 Coal (US\$/t)           | 58      | -0.77    | -31.23  | CBOT Soybeans (Usc/bu)   | 920     | -0.59    | 4.19    |
| Newcastle Coal (US\$/t)      | 67      | 0.45     | -33.58  | ICE No.11 Sugar (Usc/lb) | 12.57   | 1.45     | 4.49    |
| SGX TSI Coking Coal (US\$/t) | 140     | -0.53    | -33.91  | ICE Arabica (Usc/lb)     | 109     | 0.32     | 7.46    |
| SGX Iron Ore 62% (US\$/t)    | 77.56   | -3.42    | 11.65   | ICE London Cocoa (GBP/t) | 1,926   | 2.18     | 9.06    |

Source: Bloomberg, ING

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