

The Commodities Feed: Vaccine optimism

Your daily roundup of commodity news and ING views



Vaccine

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Energy

Oil continues to move higher, with ICE Brent back above US\$45/bbl in early morning trading in Asia. Optimism around vaccine developments continues to buoy sentiment, despite the current lockdowns that we are seeing across Europe, and with the numbers of US Covid-19 cases now passing the 12 million mark. The more positive sentiment is reflected in speculative data, with the latest Commitment of Traders report showing that speculators increased their net long in ICE Brent by 50,650 lots over the last reporting week, to leave them with a net long of 180,610 lots as of last Tuesday. This is the largest weekly increase seen in the speculative position since September 2019. Meanwhile the increase this week was driven predominantly by fresh longs, with the gross long position increasing by 30,062 lots. However, historically the gross long position is still very low, so there is potential for significant further fresh buying, particularly as fundamentals improve.

Finally, Bloomberg reports that according to the consultant, JLC, the Chinese government has issued a third batch of 2020 export quotas for oil products. Quotas for 3mt of product were issued, with PetroChina receiving 1.95mt, Zhejiang Petroleum & Chemical getting 1mt, and finally China North Industries Group receiving 50kt.

Metals

Prices of all major base metals ended higher on Friday, with growing optimism over an earlier-than-expected release of a Covid-19 vaccine, along with improving macro sentiment. LME copper

hit an intraday high of US\$7294.50/t on Friday, up more than 2.8%, while zinc also rallied above US\$2800/t at one stage, for the first time since May 2019. Both metals still have lingering supply concerns, which is proving constructive for prices. For copper, while one union accepted the latest wage offer at the Candelaria mine, which brings to an end a month long strike, a worker's union at Antofagasta's Centinela copper mine is set to reject management's latest contract offer next week, which could lead to strike action. The Centinela mine produced 276.6kt of copper last year. Meanwhile in zinc, mining operations at Gamsberg zinc mine in South Africa (which were halted on 17th November) remain suspended, as the search for missing mine workers continued over the weekend.

In China, base metals output continued to grow in October, supported by the expansion in manufacturing activity. The latest data from National Bureau of Statistics (NBS) released on Friday shows that, China's copper output rose 5.4% YoY for a third consecutive month to total 914kt in October. Among other metals, zinc production increased by 9.3% YoY to 586kt, while lead output rose 9.9% to 599kt last month.

As for the latest CFTC data, speculators marginally decreased their net long position in COMEX copper; selling 940 lots over the last reporting week, leaving them with a net long of 78,865 lots as of last Tuesday. For precious metals, speculators increased their net long in COMEX gold by 11,504 lots; after three weeks of continuous selling, to leave them with a net long of 122,461 lots.

Agriculture

CBOT soybean made a fresh 5-year high of US\$11.8/bu on Friday. Prices rose 3.5% over the last week and have risen 12% over the month so far. The USDA continued to report high sales of soybeans this month, as demand from China remains very strong which has helped tighten the market considerably in the immediate term. Stronger demand in the physical market has helped tighten the forward curve with the Jan21/Jan22 spread increasing to a backwardation of US\$1.31/bu compared to a backwardation of US\$1.10/bu a week ago and US\$1.01/bu a month ago. However, stronger prices appear to be prompting speculators to take profits, with CFTC data showing that money managers reduced their net long in CBOT soybean by 12,320 lots over the last week. This left them with a net long position of 208,774 lots as of last Tuesday, the lowest net long in more than two months.

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