

The Commodities Feed: Vaccine optimism

Your daily roundup of commodity news and ING views



Vaccine

Source: Shutterstock

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.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@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.