

The Commodities Feed: WTI above \$80/bbl

Your daily roundup of commodity news and ING views



Energy

Oil prices continue to edge higher. NYMEX WTI broke above US\$80/bbl on Friday for the first time since November 2014. ICE Brent is comfortably trading above US\$80/bbl, although still below the levels seen in 2018. This strength has continued in early morning trading today. Power concerns continue to offer support to the oil market. This is a trend we are likely to see continue through the winter. China is taking steps to try alleviate the tightness in the domestic coal market, by pushing local mines to increase output. However, heavy rains in Shanxi province over the last week has led to some mines having to temporarily shut in the region.

In Europe, natural gas prices have come off their highs last week, following comments from the Russian president last week, that Russia would be willing to stabilise gas markets. However, prices levels still remain elevated. TTF is trading just shy of EUR88/MWh, which is an oil equivalent of around US\$170/bbl. The latest data from GIE shows that gas storage in Europe is a little over 76% full at the moment, compared to a 5-year average of almost 91%.

Given the move higher in the oil market in recent weeks, it is no surprise to see that speculators have increased their net longs in both ICE Brent and NYMEX WTI. The managed money net long

position in WTI increased by 18,115 lots over the last reporting week to 316,157 lots as of last Tuesday, the largest position since the end of July. Although, clearly speculators still have some room to push the market, when you consider that they were holding a net long of around 426k lots back in June. The move in Brent was more modest. Speculators increased their net long by just 3,723 lots over the reporting week, to leave them with a net long of 332,677 lots as of last Tuesday.

Finally, on the agenda for this week, OPEC will be releasing its monthly oil market report on Wednesday, which will be followed by the IEA's monthly oil report on Thursday. There will be interest from the market on what demand revisions will be made, given expectations of a demand boost due to gas to oil switching.

Metals

Industrial metals ended last week higher amid disruption concerns and further support by a weaker dollar post the US jobs data release.

As for aluminium, following a warning on power rationing a couple of weeks ago to smelters in China's Qinghai province, last week the local government told smelters in the region to curtail production in order to bring down the power load. Supply risks have also risen for European aluminium producers. Last week, Dutch producer, Aldel said it will cut output by 60-70% at its Delfzijl aluminium smelter. Surging power prices has meant that production is unprofitable. So far this is the second aluminium smelter in the region that has been hit by the recent energy crisis in Europe.

Another crisis faced by aluminium producers in the region is magnesium supply (we highlighted the risk of both magnesium and silicon in this [note](#)). German media reported over the weekend that current magnesium inventories are expected to last only until the end of November. In case of supply cuts of some of the minor metals that go into the production of some aluminium value-added products(VAP), premia could spike. However, the longer the problem persists, the increased risk of demand destruction as the downstream sector faces raw material shortages. Almost 90% of magnesium supply is from China and production of the minor metal has seen curtailments due to the recent power crunch in the country. Hence, the situation will be dependent on how the power situation in China evolves.

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