

The Commodities Feed: OPEC+ JMMC set to meet

Your daily roundup of commodity news and ING views



Energy

Oil was under pressure for much of last week, with ICE Brent seeing its largest weekly decline since mid-June, closing more than 6.6% lower over the week, and settling below US\$40/bbl. Sentiment has taken a hit, with a number of producers over the last week cutting their official selling prices (OSP). The fact that producers have had to start cutting OSPs is not a great signal for crude oil demand. Although this shouldn't come as too much of a surprise given the weakness that we have seen in refinery margins.

It's unsurprising that with the downward pressure on the market, speculators have reduced their net long position in ICE Brent significantly. Over the last reporting week, the managed money net long has shrunk by 67,314 lots, leaving the overall net long at just 121,167 lots as of last Tuesday - which is the smallest net long seen in ICE Brent since April. The reduction was fairly evenly driven by longs liquidating and fresh shorts entering the market.

There is plenty happening in the oil market this week. Today we have OPEC releasing their monthly report, which will include OPEC production numbers for August, along with the group's demand and non-OPEC supply outlook for the rest of this year and 2021. This will be followed by the IEA's monthly report on Tuesday. Then, finally on Thursday, the OPEC+ Joint Ministerial Monitoring

Committee will be meeting, and given the more recent sell-off in the market, there will likely be more pressure on certain producers to improve their compliance.

Metals

The base metals markets were whipsawed by macro forces last week, which saw correctional trading across the complex along with other risk assets. What offered a bit of support was better-than-expected data from China in terms of credit expansion in August. This, in conjunction with a sizable outflow in LME inventories, helped copper to regain some lost ground. Meanwhile bonded warehouse inventories continue to pile up, as there is a lack of appetite from the onshore market. As for aluminium, prices demonstrated some resilience most of the week but failed to recover along with other peers on the LME. Fundamentally, there is a lack of fresh catalysts, while a jump in LME off-warrant inventory, though lagged data, may add some pressure.

As for the latest CFTC data, this shows that speculators trimmed their net long position in COMEX copper by 349 lots over the last reporting week, leaving them with a net long of 69,187 lots as of last Tuesday. For precious metals, speculators increased their net long in COMEX gold by 3,680 lots, to leave them with a net long of 154,628 lots; while they cut their net long in silver by 1,971 lots.

Agriculture

Friday's monthly WASDE report from the USDA was fairly constructive for soybeans and corn, with the agency lowering production and inventory forecasts. The current month's report has largely reversed the upward production revisions made last month. The USDA lowered its US soybean production forecasts from 4.43bn bushels to 4.31bn bushels for 2020/21 due to lower yields. Moreover, beginning stocks were revised down by 40m bushels, which helped to push down US ending stocks by 150mn bushels for 2020/21. Export estimates were left unchanged for now at 2.13bn bushels. For corn, the agency lowered its US production forecasts from 15.28bn bushels to 14.90bn bushels, while ending stock estimates were lowered from 2.76bn bushels to 2.5bn bushels.

Globally, the USDA reduced its soybean inventory estimates at the end of 2020/21 by 1.77mt as inventory gains from Argentina and Brazil offset some of the expected inventory declines from the US. For corn, Chinese inventory expectations for the end of the 2020/21 marketing year were lowered by around 5mt, due to stronger demand and sales from state reserves, while estimates for global corn stocks have been revised down by 10.7mt.

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