

# Commodities Daily

19 June 2017

## Wheat price at yearly high

**Energy:** Oil prices recorded their fourth consecutive weekly loss last week. The new trading week is likewise beginning with slight price falls. Brent is priced at a good \$47 per barrel and WTI at \$44.5 per barrel, putting them only marginally above their respective 2017 lows. While the countries that have signed up to the cuts are still complying strictly with them, oil production is rising elsewhere. Mustafa Sanalla, chairman of Libya's state-owned National Oil Corporation (NOC), expects oil production in Libya to increase to 900,000 barrels per day in a matter of days. By the end of July, Sanalla envisages daily output of one million barrels. Production currently amounts to 830,000 barrels per day. Like Nigeria, Libya is exempted from the production cuts. In May, these two countries were already responsible on their own for OPEC oil production rising by 336,000 barrels per day (OPEC monthly report) or 290,000 barrels per day (IEA monthly report). The increase in drilling activity in the US continued for the 22nd week in a row, albeit with only a relatively small rise in the oil rig count of six in the last reporting week, according to figures from Baker Hughes. In view of this news backdrop, financial investors are withdrawing from the oil market again. Speculative net long positions in WTI decreased by 33,000 contracts in the week to 13 June, more than reversing the position increase seen in the two preceding weeks. If prices were to fall below their 2017 lows, follow-up selling could ensue.

**Precious metals:** Gold hasn't quite digested the news from last week's meeting of the US Federal Reserve and has fallen moderately to \$1,250 per troy ounce as trading begins this morning. Gold in euro terms is priced at just shy of €1,120 per troy ounce. The unequivocal victory of the pro-European party of recently-elected President Macron in France in yesterday's parliamentary elections is doubtless one factor contributing to the subdued start to the week. After the gold ETFs tracked by Bloomberg recorded their biggest daily outflow so far this year on Thursday (13 tons), holdings were cut by another ton on Friday. This has reduced inflows into the gold ETFs since the beginning of the month to 11 tons. Speculative financial investors have also retreated from gold again of late, slashing their net long positions by 11% to 147,500 contracts in the week to 13 June. This happened before the Fed meeting, so net long positions are likely to have been further reduced in the meantime. Today sees the official start of Brexit negotiations in Brussels. The positions of the EU and the UK are still far apart. The presumably tough negotiations should contribute to solid demand for gold. Silver, platinum and palladium are falling more sharply than gold as the new week gets underway. Silver has dropped to \$16.6 per troy ounce, hitting a four-week low. Platinum costs just under \$930 per troy ounce, while palladium is trading at just short of \$870 per troy ounce.

### Speculative market positioning (net)

	'000 contracts	Weekly change
13-Jun		
WTI	168.627	-32.963
Henry Hub	116.669	-16.120
Gasoline	-12.849	-16.765
Gold	147.496	-18.553
Silver	43.930	-6.296
Platinum	-6.926	-6.421
Palladium	24.646	1.088
Copper	62.794	11.146
Wheat	-85.706	26.707
Corn	-4.015	123.063
Soybeans	-90.790	10.962
Cotton	70.712	-10.606
Coffee	-33.433	-8.839
Cocoa	-27.406	1.222
Sugar	-67.457	-15.686

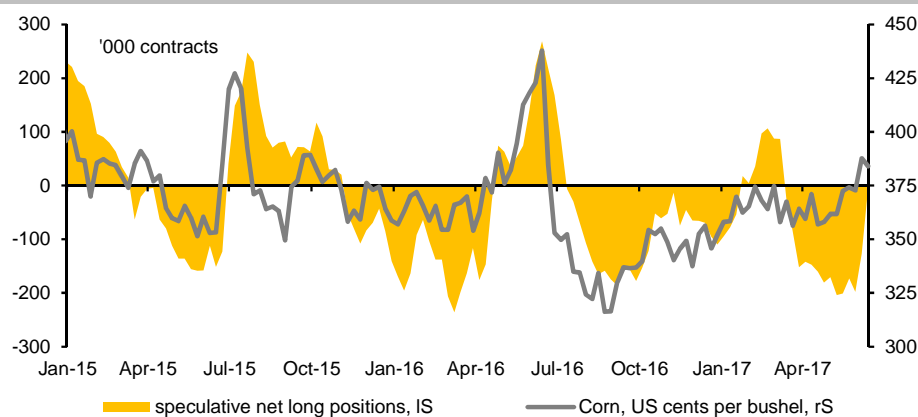
Source: CFTC, Bloomberg

### Number of active US oil and gas rigs

16-Jun	Rig count	weekly change
USA total	933	6
Oil	747	6
Gas	186	1
Horizontal	782	2
Vertical	82	1
Directional	69	3

Source: Baker Hughes, Bloomberg

### CHART OF THE DAY: Net short positions in corn almost completely eradicated



Source: CFTC, Bloomberg, Commerzbank Research

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**Base metals:** Positive Asian stock markets that reflect increased risk appetite among market participants, together with rising prices in China, are driving metals prices up across the board as the week begins. Copper has risen to \$5,700 per ton, nickel is trading at \$9,000 per ton and aluminium costs \$1,890 per ton. Property prices climbed further in May, though the pace of the increase has declined, especially in the country's first-tier cities. Our economists believe that the authorities will still view the price rise as too high, with the result that the government may take further measures to cool the market. This would probably not only slow economic growth but would also have a negative impact on demand for metals. Judging by the LME base metals index, metals prices have stabilised in recent weeks and are trading largely sideways. In our opinion, speculative financial investors have played their part in this: according to the CFTC's statistics, net long positions in copper on the Comex in New York were expanded by 22% to 62,800 contracts in the week to 13 June. This was due almost exclusively to an increase in long positions and represents the highest figure since the end of February, when copper was trading at over \$6,000 per ton for a time. As such, there is already correction potential from this side again.

**Agriculturals:** After the slight upward revision of the expected US wheat crop in 2017/18 by the US Department of Agriculture put a dampener on wheat prices ten days ago, reports of lower than anticipated yields in key growing areas of the US Great Plains are now having the opposite effect. Market participants have already been concerned about the quality of the wheat – and particularly about low protein content – for some time. Since spring wheat does not look likely to make up the shortfall in high-quality wheat either, the wheat price has meanwhile climbed to its highest level in around a year. Wheat in Chicago closed at 481.5 US cents per bushel on Friday. The upsurge in the price is also likely to have found support from a further reduction in net short positions held by short-term-oriented market participants. As the CFTC's data show, they were already cut significantly in the week to last Tuesday, a trend that is likely to have continued in the subsequent days. According to the CFTC, net short positions in corn have already been almost completely eliminated. They still amounted to a good 200,000 contracts just a month ago. In June, the corn price was pulled up on the one hand by wheat. On the other hand, the overly dry conditions in parts of the Midwest are still cause for concern. Rainfall only ever brings temporary relief, as for example happened this morning, when lower crude oil prices also had a negative impact.

## Prices

Energy 1)	current	1 day	1 week	1 month	2017
Brent Blend	47.4	1.0%	-2.1%	-11.8%	-17%
WTI	44.7	0.6%	-3.2%	-11.4%	-17%
Gasoline	483.8	0.2%	-4.7%	-9.3%	-10%
Gasoil	423.0	1.0%	-1.6%	-10.8%	-16%
Diesel	423.0	1.0%	-0.9%	-7.6%	-16%
Jet fuel	438.0	0.5%	-2.0%	-6.7%	-13%
Natural gas (\$/mmBtu)	3.04	-0.6%	-2.3%	-9.3%	-21%
EUA (€/ton)	4.88	-1.6%	-1.0%	0.4%	-26%
Base metals 2)					
Aluminum	1867	-0.3%	-0.6%	-3.3%	11%
Copper	5663	0.0%	-1.5%	0.1%	3%
Lead	2111	0.9%	3.9%	2.0%	6%
Nickel	8940	1.0%	2.0%	-4.1%	-10%
Tin	19640	0.7%	2.9%	-3.9%	-7%
Zinc	2527	0.9%	1.8%	-2.9%	-1%
Precious metals 3)					
Gold	1253.7	0.0%	-1.2%	-0.4%	9%
Gold (€/oz)	1119.6	-0.5%	-1.2%	-0.3%	2%
Silver	16.7	-0.3%	-2.0%	-1.5%	4%
Platinum	930.0	0.7%	-2.1%	-1.6%	2%
Palladium	871.8	0.1%	-2.8%	14.8%	28%
Agriculturals 1)					
Wheat (LIFFE, €/t)	173.5	1.8%	2.4%	4.4%	3%
Wheat CBOT	481.5	2.7%	7.5%	9.9%	-3%
Corn	384.0	-0.1%	-0.1%	1.8%	-13%
Soybeans	950.0	1.0%	1.6%	0.1%	-17%
Cotton	69.4	-0.2%	-4.3%	-4.9%	-1%
Sugar	13.63	0.3%	-3.8%	-16.5%	-30%
Coffee Arabica	126.0	-1.6%	-2.3%	-4.2%	-8%
Cocoa (ICE NY)	2028	-2.0%	-0.5%	-0.3%	-5%
Currencies 3)					
EUR/USD	1.1198	0.5%	-0.1%	-0.1%	6%

## Inventories

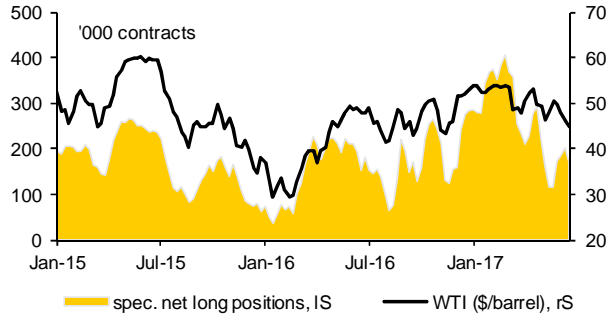
Energy *	current	1 day	1 week	1 month	1 year
Crude oil	511546	-	-0.3%	-2.1%	2%
Gasoline	242444	-	0.9%	0.6%	1%
Distillates	151416	-	0.2%	1.8%	0%
Ethanol	22542	-	2.6%	-2.2%	11%
Crude oil Cushing	62220	-	-1.8%	-6.1%	-5%
Natural gas	2709	-	3.0%	17.7%	-9%
Gasoil (ARA)	2793	-	3.6%	-13.4%	-12%
Gasoline (ARA)	890	-	-0.2%	-12.8%	-13%
Base metals **					
Aluminum LME	1425725	-0.5%	-1.7%	-5.4%	-42%
Shanghai	433110	-	0.2%	5.5%	112%
Copper LME	265175	-1.2%	-5.2%	-21.2%	35%
COMEX	162148	0.0%	0.8%	5.1%	173%
Shanghai	199014	-	4.6%	2.1%	20%
Lead LME	174650	-0.5%	-1.3%	-5.3%	-6%
Nickel LME	377472	0.1%	0.4%	-0.4%	-2%
Tin LME	1765	-6.6%	-7.6%	-12.6%	-72%
Zinc LME	311925	-0.7%	-3.0%	-9.0%	-22%
Shanghai	71758	-	4.9%	-29.2%	-67%
Precious metals ***					
Gold	60240	-0.1%	-0.7%	1.0%	2%
Silver	664756	-0.5%	-0.5%	0.3%	2%
Platinum	2511	0.0%	-0.6%	0.4%	5%
Palladium	1454	0.0%	-2.6%	-3.8%	-34%

Source: DOE, PJK, LME, COMEX, SHFE, Bloomberg, Commerzbank Research

Percentage change on previous period  
<sup>1)</sup> 1 month forward, <sup>2)</sup> 3 months forward, <sup>3)</sup> spot  
 Crude oil in USD per barrel, oil products, base metals and cocoa in USD per ton,  
 Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel,  
 Cotton, sugar and coffee Arabica in US cents per pound  
 \* US inventories of crude oil, oil products and ethanol in '000 barrel,  
 US natural gas inventories in billion cubic feet, ARA stocks in '000 tons  
 \*\* tons, \*\*\* ETF holdings in '000 ounces

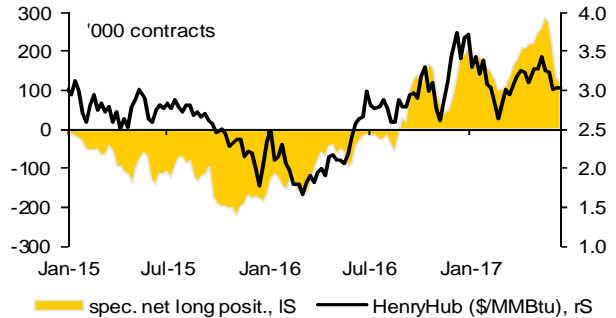
### Net long positions of money managers vs. price

GRAPH 1: Crude oil (WTI)



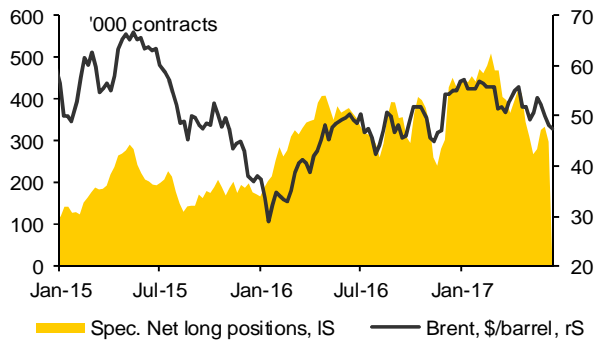
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 2: Natural gas (Henry Hub; futures and swaps)



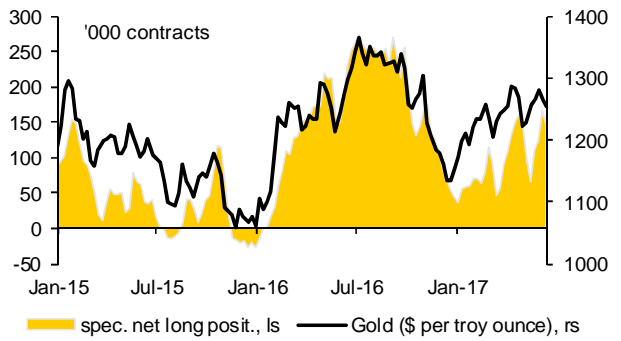
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 3: Crude oil (Brent)



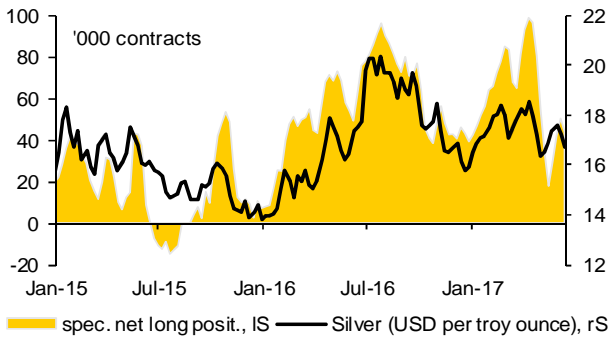
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 4: Gold



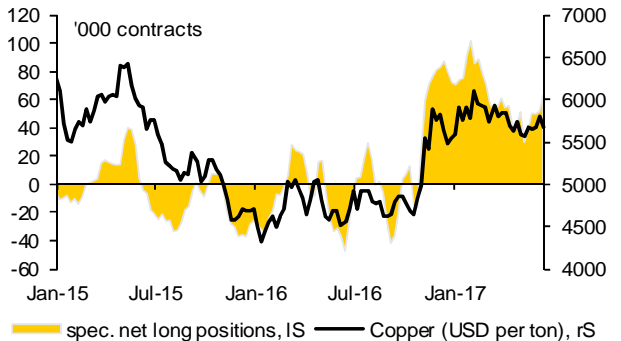
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 5: Silver



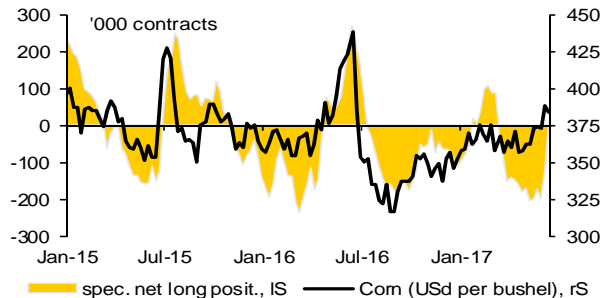
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 6: Copper



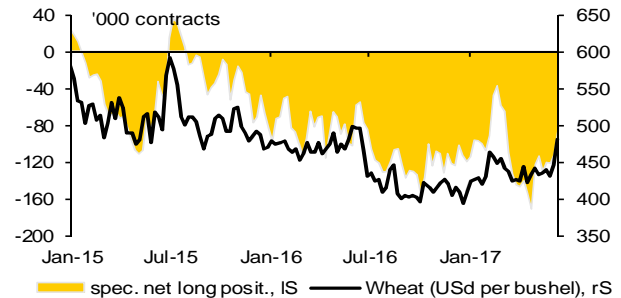
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 7: Corn



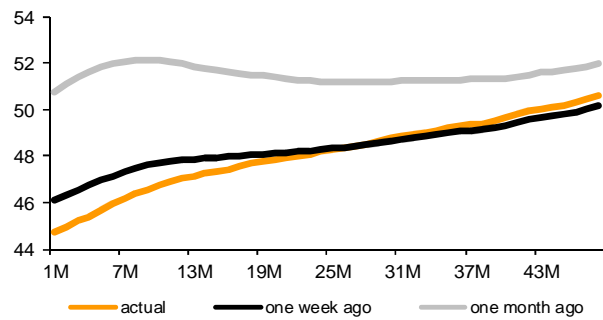
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 8: Wheat



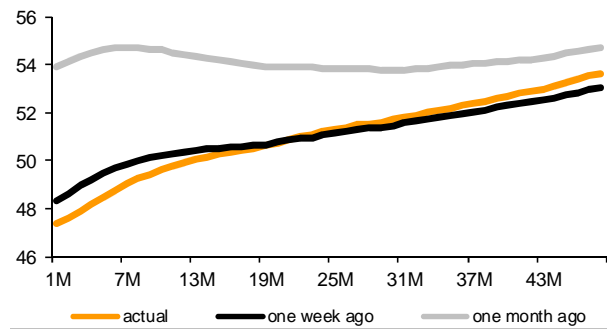
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve oil market (WTI)



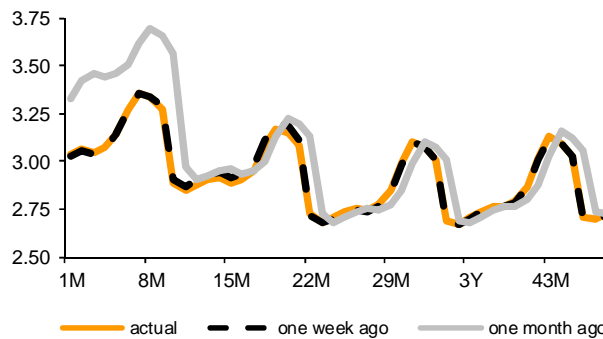
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve oil market (Brent)



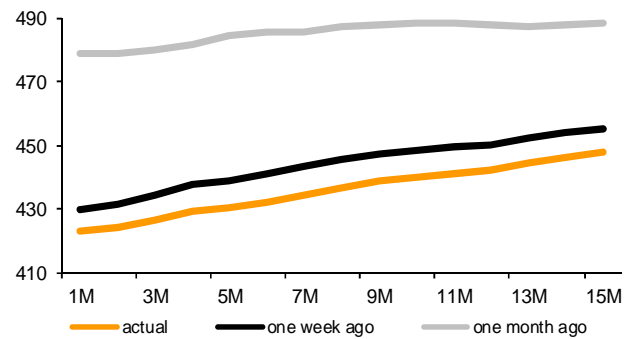
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve gas market (Henry Hub)



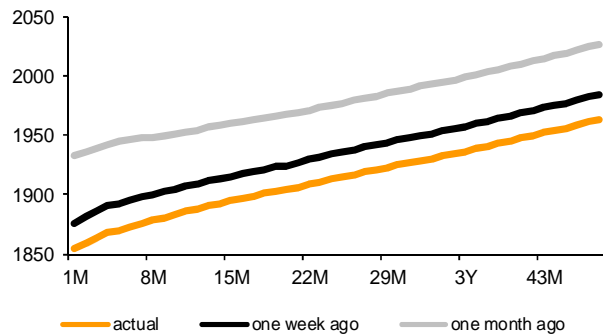
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve gasoil (ICE)



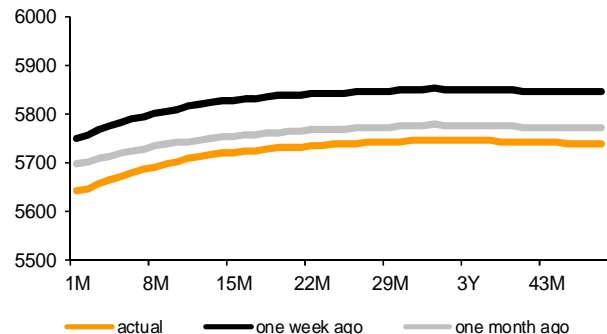
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve aluminium (LME)



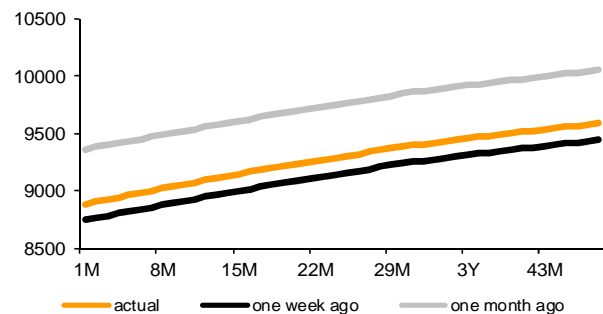
Source: LME; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve copper (LME)



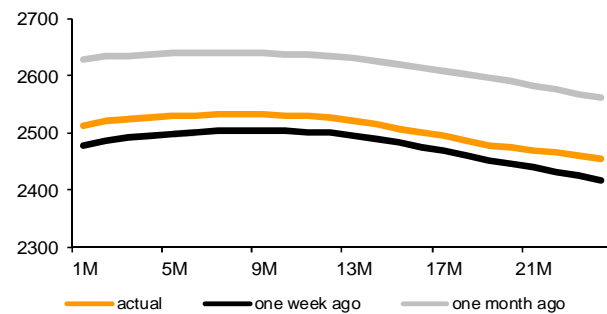
Source: LME; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve Nickel (LME)



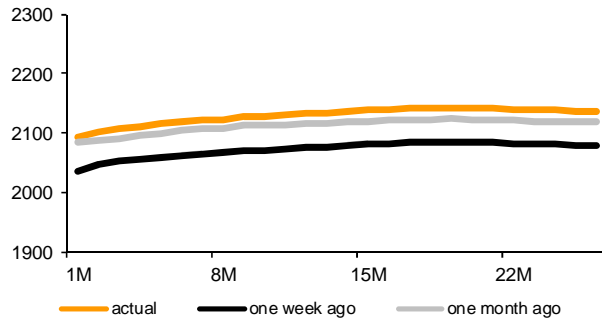
Source: LME; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve zinc (LME)



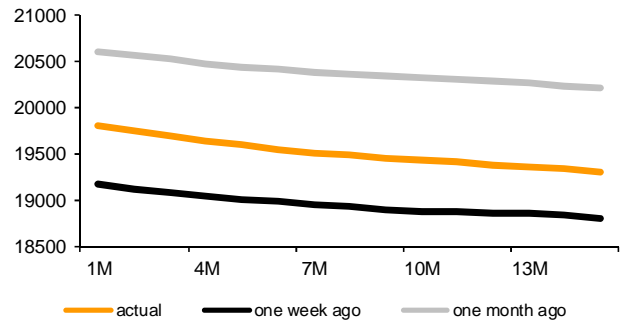
Source: LME; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve lead (LME)



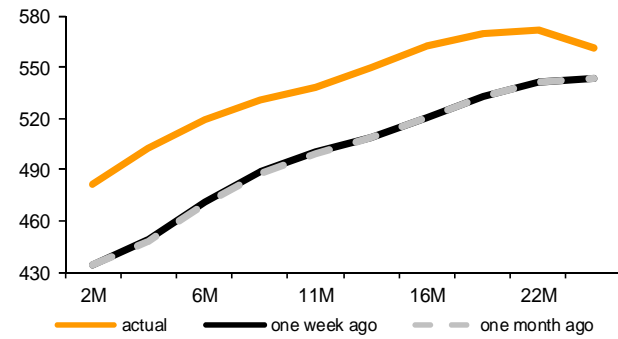
Source: LME; Bloomberg, Commerzbank Research

GRAPH 18: Forward curve tin (LME)



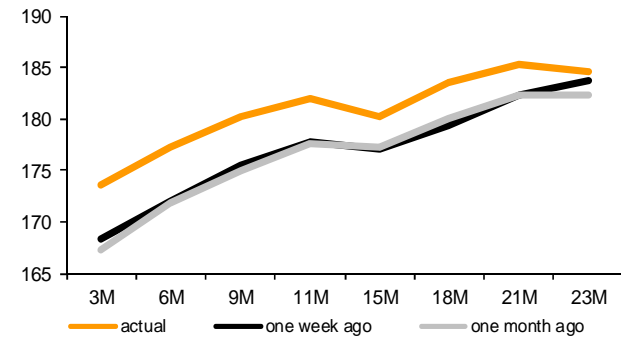
Source: LME; Bloomberg, Commerzbank Research

GRAPH 19: Forward curve wheat (CBOT)



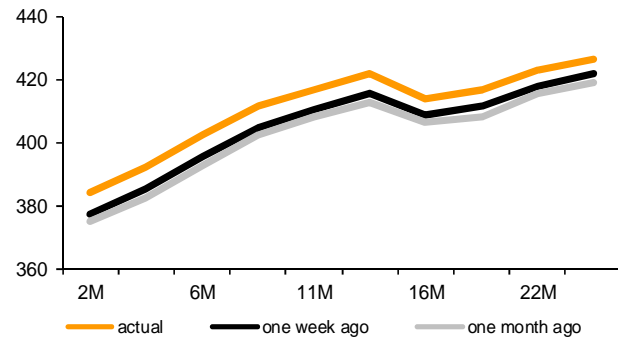
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 20: Forward curve wheat (MATIF)



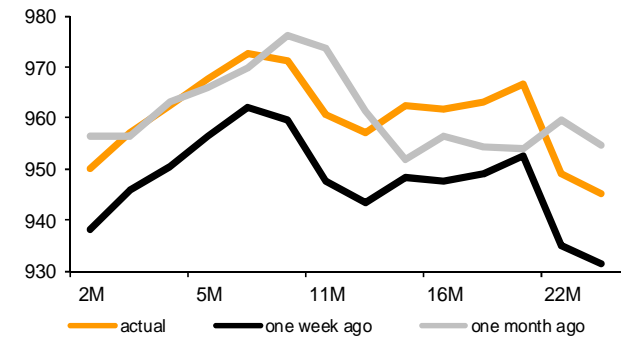
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve corn (CBOT)



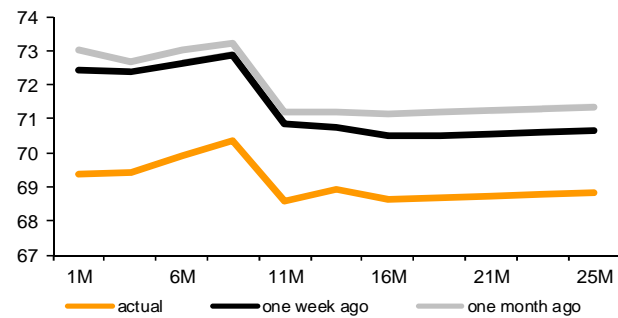
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 22: Forward curve soybeans (CBOT)



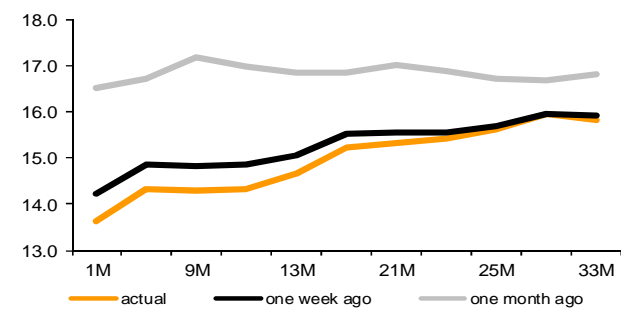
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 23: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

GRAPH 24: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

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