Market Movers

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S&P GSCI TR

30th July 2018

WTI & Brent

Net Speculative positioning in Crude Oil: *Source - ICE, CFTC*

BRENT | WTI | % O/I (rhs)

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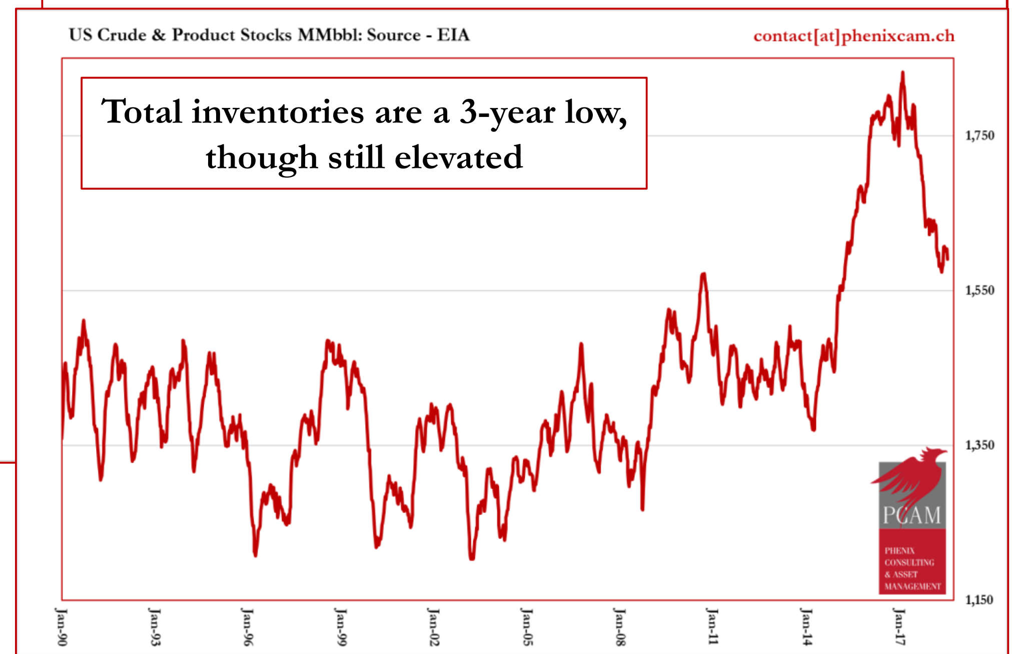
PCAM PHENIX CONSULTING & ASSET MANAGEMENT

1,250,000 | 1,000,000 | 750,000 | 500,000 | 250,000 | 0 | -250,000 | -500,000

100.0 | 75.0 | 50.0 | 25.0 | 0.0

Dec-10 | Dec-11 | Dec-12 | Dec-13 | Dec-14 | Dec-15 | Dec-16 | Dec-17 | Dec-18

More than a quarter of the combined Net Spec longs have now been cut, taking overall exposure back to 9-month lows. Since the pipeline issues saw WTI crash v Brent in mid-June, Money Managers have been rebuilding positions there, but likewise continuing to liquidate Brent as it has flipped into contango. Such longs are now at barely half their April peak and no higher than at the start of the recovery in early 2016.



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WTI & Brent

WTI & Brent

WTI is still holding above 2014/16 midpoint, now needs to push through $75 and so regain the 2010/14 congestion area. Brent must stay above $71.50 if we are to revisit $82 and possibly push on to $89

Courtesy of TradingView

Courtesy of Investing.com

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Market Movers

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Nickel just holding the channel at the midpoint of the m/t profile. The one positive is that LME inventories keep falling - now around 4 ½ year lows

Courtesy of Investing.com

Little clarity for aluminium in the aftermath of the sanctions disruption. The last several weeks have seen inventories move back up from post-Crisis lows. Ugly price action. Support around $2000/t

Market Movers

30th July 2018

Courtesy of Investing.com

Lead's ongoing inventory decline not enough to retard the sharp sell off. After such a steep decline and a 50% retracement of the last 2+ years' recovery, the appetite looks very muted. $2025/50 look like next support

Courtesy of Investing.com

Another 50% retracement for what was a star performer in the bull phase. Though low on a longer horizon, inventories have rebuilt steadily all year, suggesting recent production shortfalls are now behind us. Again, a shallow consolidation leaves us uneasy

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Copper

Copper is meeting with selling at near the bottom of the past 12-months' range, around the $2.875/lb mark.

Until this exhausts itself, this looks like forming a range trade within the limits mapped out over the preceding 8 months, an area whose lower bound comes in around $2.435

Copper

Courtesy of TradingView

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CORN

Another market in which the 7-year high large spec longs of the spring has been dramatically reduced. The hedge fund component has swung from a 2-year high to a 6-month largest short – one of the bigger ones of the past 10-years, to boot.
The caveat here is that other reporting specs have never been as along, meaning the overall position is still just positive. Mean reversion to around 375 is probably all one can hope for at present.

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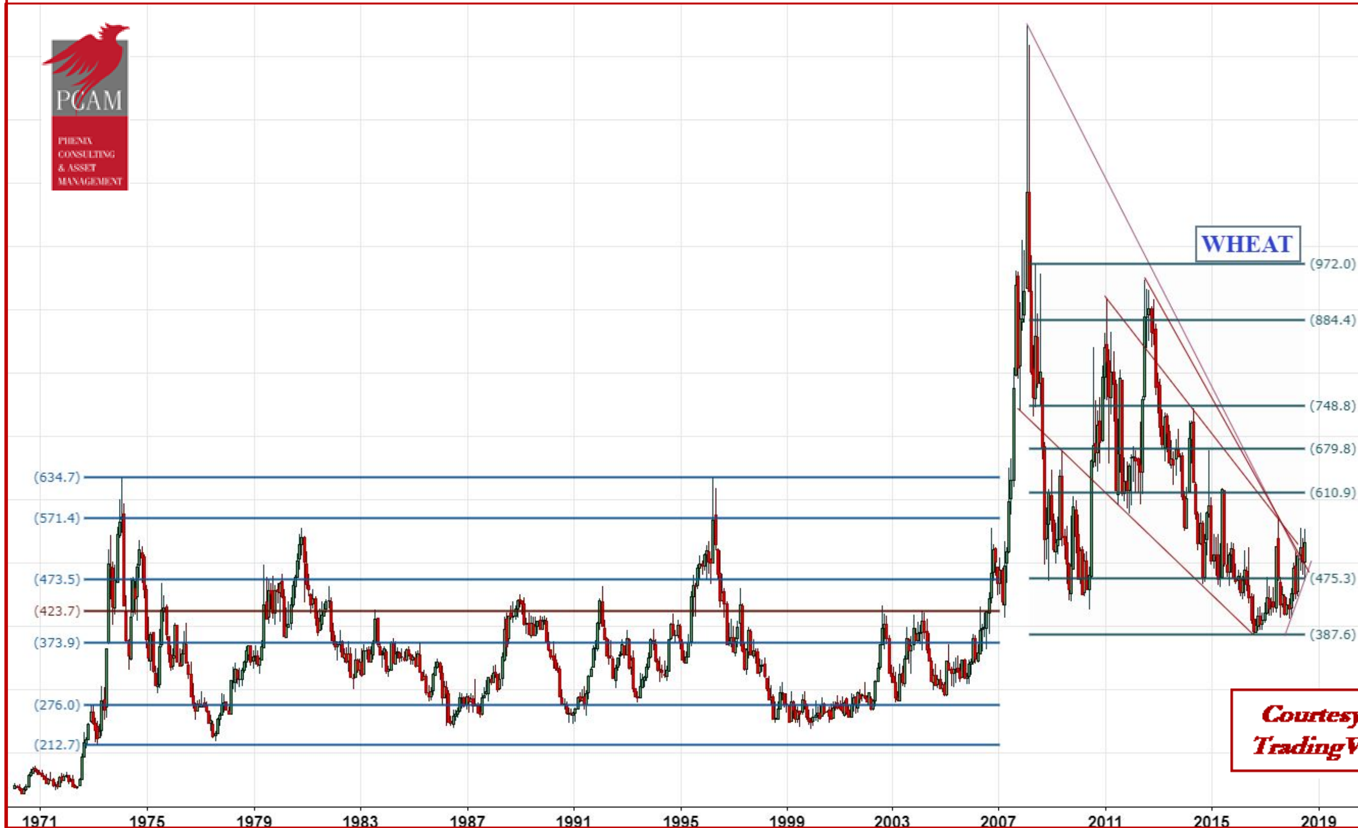
BEANS

Wishful thinking or not, there is talk that Chinese processors are struggling to access supplies, despite paying almost $50 a bushel over the odds to secure Brazilian beans. Crop progress in the US was modestly upgrade and harvest conditions look too good to encourage too much enthusiasm. Managed money has swung from the longest in 6 years to a bearishness only seriously exceeded once since disaggregated reports were introduced. Squeezy!

(1210.9)
(1150.6)
(1057.4)
(1010.0)
(962.6)
(869.3)
(809.1)
PGAM
Jun 2015 Jun 2016 Jun 2017 Jun 2018 Jun 2019

Courtesy of TradingView

Wheat



Courtesy of TradingView

Wheat is looking increasingly likely to attempt a break out above the 560 level and on through 575, last summer's spike high. European prospects are not good, there is major concern about the Russian crop and even in China there are whispers that even if overall tonnage holds up, quality will be appreciably lower

Hedge funds were last this long at 2017's peak while overall large specs have not been this heavy since 2012, so the major concern is that a lot of good news – from the traders' perspective - might already be in the market. Otherwise, positive.

Gold

MACRO

China has seen a rare public fight between the PBoC and the MoF largely resolved in favour of the former, the quid pro quo for the latter's pledge to undertake more fiscal stimulus being a record overnight cash injection and further regulatory moves to encourage banks to move out the credit spectrum.

Once again, it must be said that the stock market's reaction has ben disappointing and already there are widespread fears that any new money will again pour into the property market.

Meanwhile, with a shrunken (if not reversed) current account and a weakening yuan, the external pressure will be mounting.

Not the most helpful circumstance for commodities

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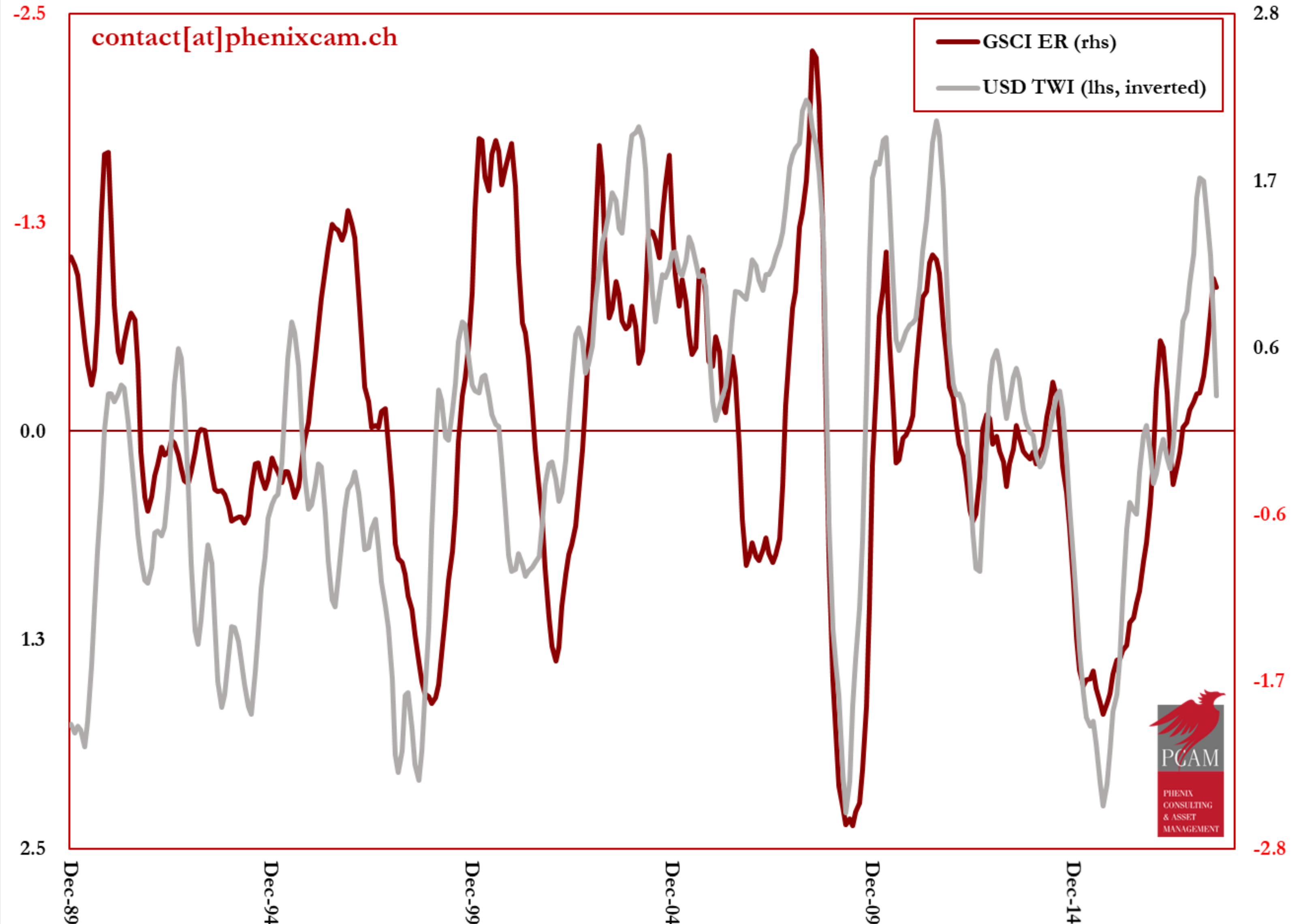
On top of all that, there is the dollar itself, whose strength – in combination with a possibly causative and in any case decidedly marked slowdown in US money supply growth - is seriously limiting overall global liquidity provision.

Though not absolutely definitive in its own right (the correlation here is of the order of 50% , for example), the graph dos show that periods of dollar strength do tend to coincide with weaker dollar-denominated commodity prices and returns.

China, for one, net importer of around 9MMbpd last year, is using ~5% more a year, producing ~5% a year less, with the gape rising 7-8%pa. Since the 2016 low that means the nation's oil import bill is roughly 3 1/2 times what it was in renminbi at the 2016 trough.

That money will have to come from somewhere!



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