

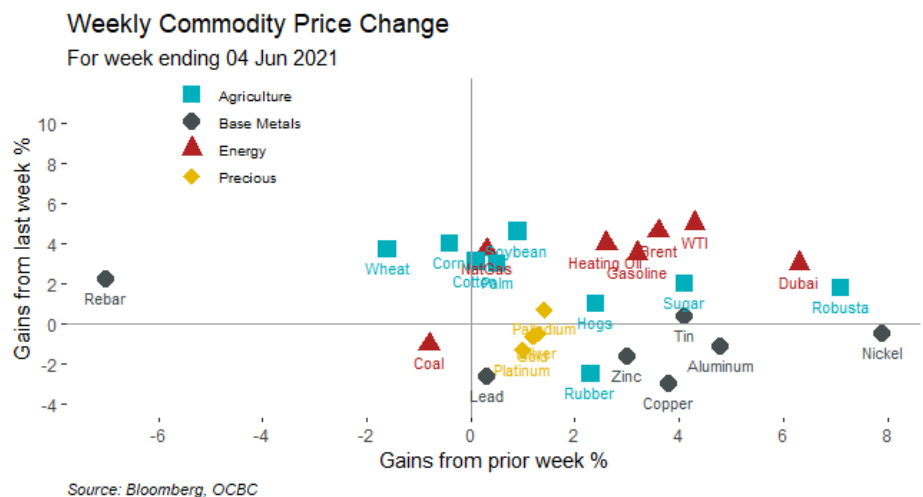
## Weekly Commodity Outlook

7 June 2021

### Commodity View

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**Week in review:** Commodities mostly gained for a second straight week. Brent broke above the \$70 handle. Agricultural commodities resumed their upward trend. Base metals lost ground, while gold fell below \$1900.



### Trade ideas:

- **Go long crude oil (long Jul'21).** There has been a clear breakout on oil, both on its flat price and calendar spreads. The bulls look out in full force and near-term could drive prices higher. *Consider entry at \$71.00; take profit at \$75.00; cut loss at \$69.90.*

### The week ahead:

- **China trade numbers on Monday** will be closely scrutinised for signs of slowdown in commodity imports, especially on iron ore.
- **US CPI on Thursday**, if stronger than expected, may trigger a fresh bout of risk selling on tapering fears.
- **USDA WASDE on Thursday** may see production upgrades on soybeans and cotton, but may do little to dent prices given crop growth is still at an early stage.

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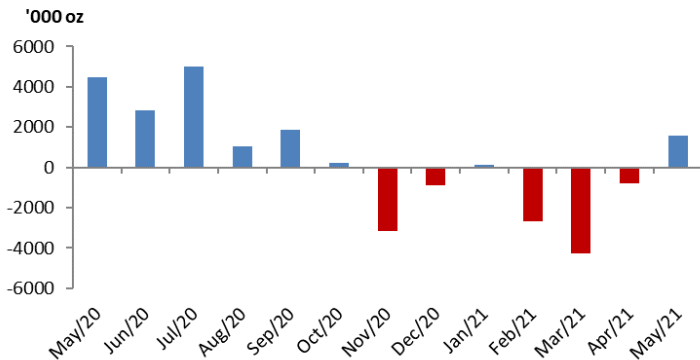
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### Summary Views

Commodity	Market Roundup & Opinion	Strategy	
		Week	Month
<b>Crude oil</b>	<b>Oil bulls out in full force last week.</b> Brent has cleanly broke above the \$70 threshold last week, with a series of higher highs and higher lows set from the get-go last Monday. Since breaking above \$70 on Tuesday, it has not come close to testing said level, entrenching the firmness of its new support level. WTI is also testing the \$70 handle and may likely break above this resistance in the coming week. Otherwise, nothing has fundamentally changed for the energy market and we stick to our long-term bullish call.	↑	↑
<b>Soybeans</b>	<b>Three weeks of improving soil moisture levels in the US.</b> This is the third consecutive week of improving soil moisture condition on a soybean-specific basis across the US. Although still low compared to previous years, last week saw the highest soil moisture across soybean acreages since planting began in April, according to our calculations. This was probably the catalyst for the Jul-Nov spread breaking below the 150 c/bu level on expectations of improving new crop yields. We think the Jul-Nov spread may have more downside but flat prices could continue to inch higher.	↑	↑
<b>Cotton</b>	<b>Similar to soybeans, soil moisture for cotton has improved vastly.</b> Specifically, across the North and South High Plains, the aggregate soil moisture is now close to neutral from deficit just three weeks ago. Nothing is guaranteed at this stage of the season but it is interesting to note that the three other years with higher soil moisture than this year's at the same stage – 2015, 2016 and 2019 – have relatively low abandonment rates (<10%) and decently high crop yields (745 lb/acre). Hence, USDA's current abandonment estimate of 16.7% and 700lb/acre look relatively conservative and production may be bumped higher in the coming months if moisture continues to improve.	↑	→
<b>Palm Oil</b>	<b>MPOB palm stock probably increased in May.</b> The median estimate on Bloomberg suggests MPOB palm stock rose 5.2% m/m to 1.63 million tons, but crucially remains below the 2mil psychological level. As with our earlier forecasts, we expect stocks to continue trending below 2mil tons through 2022, as China and India may seek to build up their relatively low vegoil stocks in H2. The expected export recovery and the continued supply disruptions combined are likely to keep prices supported above 4000 MYR/mt.	↑	→
<b>Iron Ore</b>	<b>Watch China's trade balance numbers on Monday.</b> Recent efforts by the Chinese government to clamp down speculation in the iron ore market may not be immediately reflected in May's trade numbers, given it takes about a month to ship Australian iron ore to China by sea. Australia's iron ore shipments in May are probably consistent with that of prior months, but Brazil has started shipping more last month – at an estimated 28mil tons, that would be close to the ytd high in January of 29mil tons. Given the drop in iron ore port inventories in May, if imports show a strong number then it suggests that demand for ferrous metals in China remains brisk.	→	→

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Copper	<p><b>Near-term weakness in copper expected.</b> Treatment charge for concentrate has continued to rise last week, while the cash-3m futures spread as well as the 3-12m futures spread continue to decline, suggesting ample supply for now. We expect copper to continue hovering around the \$10000 level for now, but long-term the acceleration of global electrification should continue to lift it higher.</p>	→	→																												
Gold	<p><b>First positive inflows into gold ETFs last month.</b> Total known gold ETF holdings rose 1.58mil oz in May, the first positive inflow into this space in three months. Unsurprisingly, gold recorded its best monthly price gain ytd in May, rising 7.8% last month to close above \$1900 on 31 May. The first few days of June, however, has been less encouraging, with gold falling back below the \$1900 level. With breakeven yields staying stagnant, we continue to see gold as trading too rich and expect it to continue correcting in the coming week.</p> <p><b>Monthly Change in Total Known ETF Gold Holdings</b></p>  <table><thead><tr><th>Month</th><th>Change ('000 oz)</th></tr></thead><tbody><tr><td>May/20</td><td>4500</td></tr><tr><td>Jun/20</td><td>2800</td></tr><tr><td>Jul/20</td><td>5000</td></tr><tr><td>Aug/20</td><td>1000</td></tr><tr><td>Sep/20</td><td>1800</td></tr><tr><td>Oct/20</td><td>200</td></tr><tr><td>Nov/20</td><td>-3500</td></tr><tr><td>Dec/20</td><td>-1000</td></tr><tr><td>Jan/21</td><td>200</td></tr><tr><td>Feb/21</td><td>-2500</td></tr><tr><td>Mar/21</td><td>-4000</td></tr><tr><td>Apr/21</td><td>-500</td></tr><tr><td>May/21</td><td>1500</td></tr></tbody></table>	Month	Change ('000 oz)	May/20	4500	Jun/20	2800	Jul/20	5000	Aug/20	1000	Sep/20	1800	Oct/20	200	Nov/20	-3500	Dec/20	-1000	Jan/21	200	Feb/21	-2500	Mar/21	-4000	Apr/21	-500	May/21	1500	↓	→
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Jan/21	200																														
Feb/21	-2500																														
Mar/21	-4000																														
Apr/21	-500																														
May/21	1500																														

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