



CFTC Weekly Analysis

Onyx Capital Advisory

13th November 2023

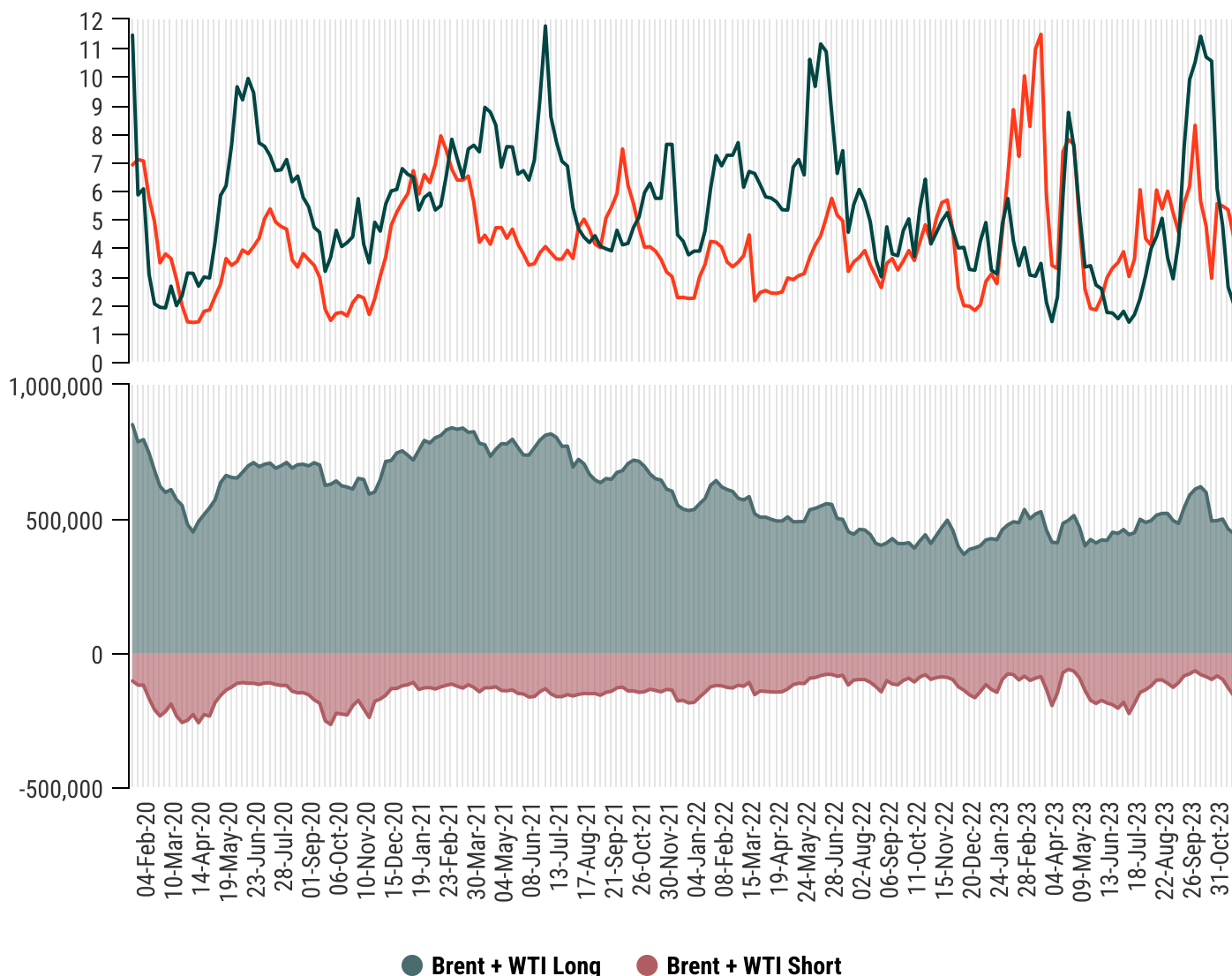
CFTC Overview

Money Managers' Positions in Crude

- **Both Brent and WTI saw similar bearish trends in the week to Nov 7**, with each contract seeing bullish participants remove length whilst at the same time bearish speculators returned with force.
- Following six decreases in the past seven weeks, net positioning in both contracts combined has fallen to its lowest level since the beginning of July, highlighting the recent shift to the sell-side.
- Both contracts have continued their decline for the third consecutive week amid bearish market fundamentals. Poor Chinese demand in the context of low refinery margins, as well as stock builds of almost 12mbbls observed by the API and an ongoing devaluation of the Israel-Hamas risk premium have dragged price action for Brent futures to 3-month lows of \$79.54 in the prompt on Nov 8. Prompt WTI also traded below the \$80/bbl mark, trading at \$77.37/bbl on Nov 7.

Managed by Money Long and Short Positions from 2020

— Long/Short Brent Futures — Long/Short WTI Futures

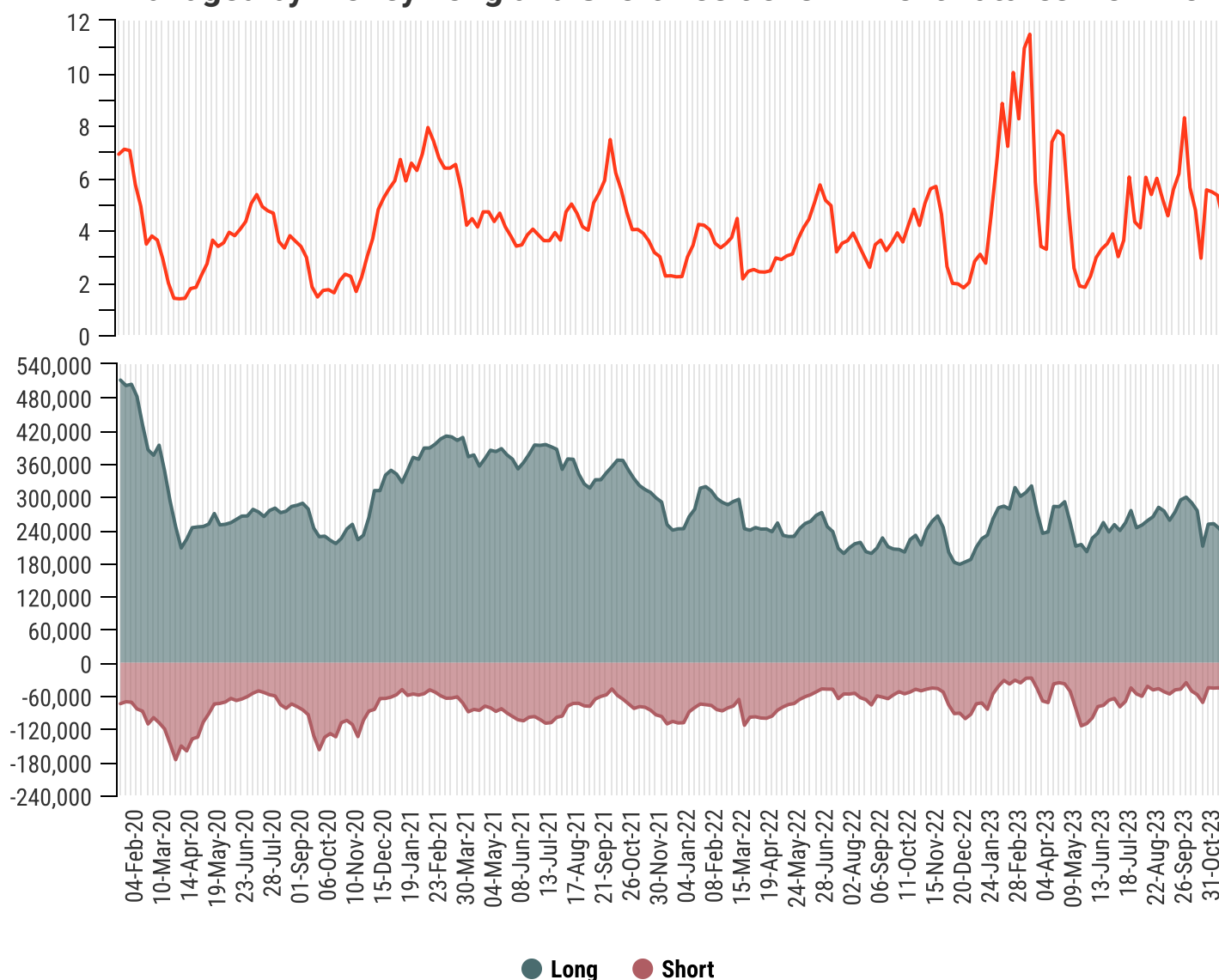


Brent Futures - ICE

ICE Brent Futures

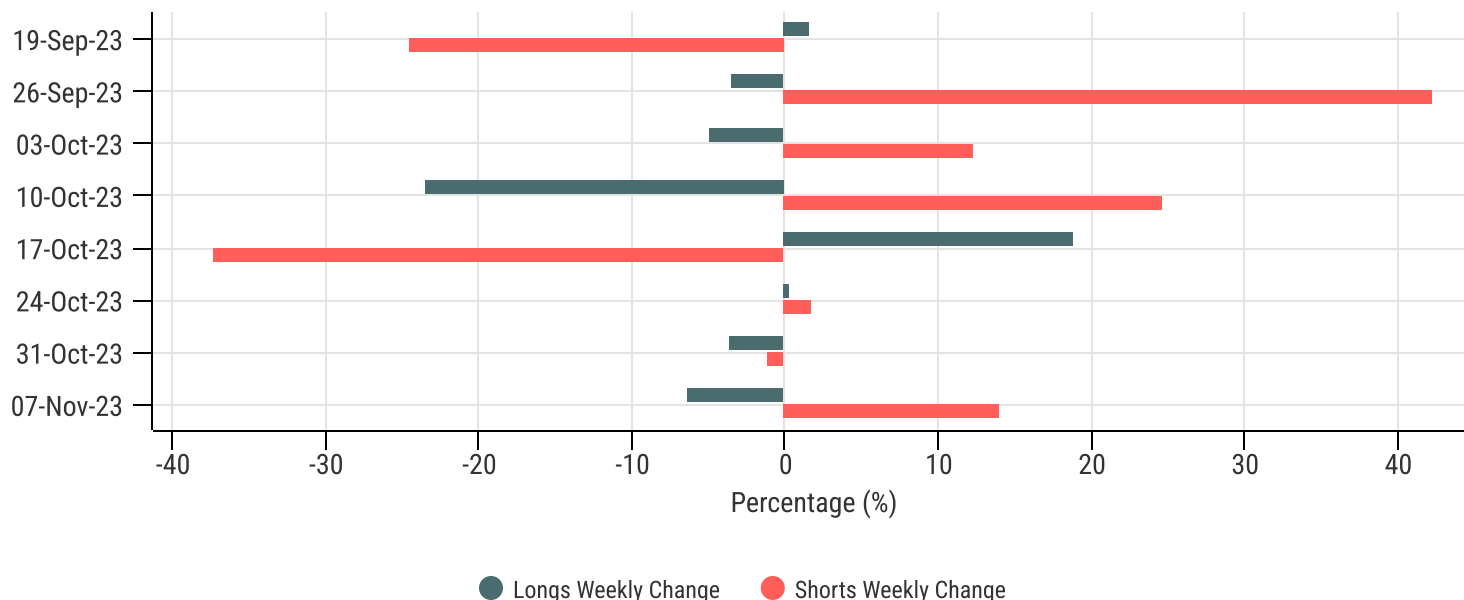
- The week to the Nov 07 saw a continuation of long money managers closing positions, marking two consecutive weeks of removing length, closing over 15mbbls, or 6.3% of all long positions in the week with length now at a four-week low.
- At the same time, short speculators increased their positioning by a decent amount of 6.5mbbls (14%) in the week to Nov 07.
- After a small recovery in Jan Brent futures price action to \$86.85/bbl on Nov 02, there was a sharp sell off seen, falling over \$5/bbl in the space of two days, to settle below the psychological barrier of \$80/bbl and hit 3-month lows of \$79.54/bbl on Nov 08. It seems the market concerns surrounding the Middle Eastern conflict have almost fully dissipated, with participants now focussing on the API announcement of a US crude stock build of almost 12mbbls and awaiting the delayed EIA stats this week, and weak Chinese refinery margins this past week reaching their lowest levels so far this year.

Managed by Money Long and Short Positions in Brent Futures from 2020



Brent Futures - NYMEX

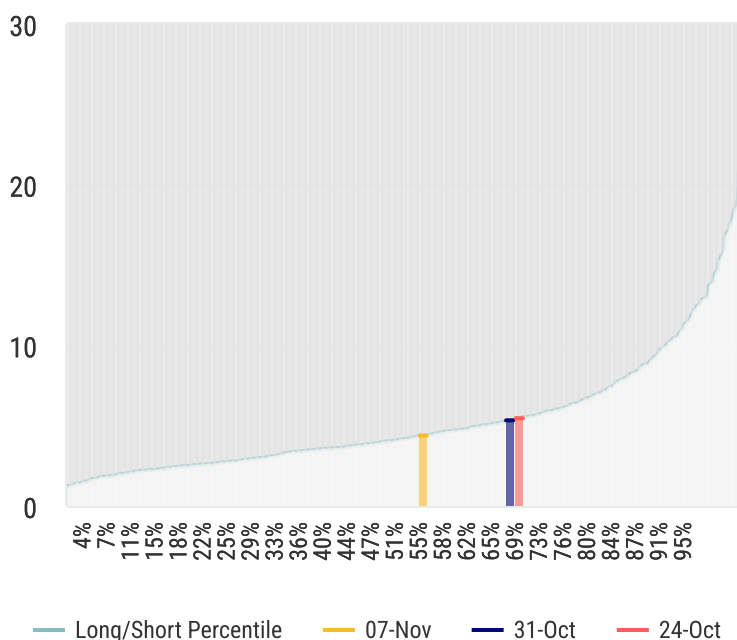
Brent Futures: changes in Managed by Money positions in the last eight weeks



- Net money managers positioning continued to decline this week, declining by nearly 22mbbls, with levels now at a four week low.
- After a couple relatively muted weeks, bearish speculators took a more risk-on approach in the week to Nov 07, on the back of poor fundamentals, such as the large US crude stockpile build and weakness in Chinese refinery margins. Moreover, speculators remain wary of potential further interest rate hikes and will be keenly watching upcoming US CPI data.
- In line with this, speculative interest has continued to decline with week, now sitting 8% and 23% below the one-year and five-year average, respectively.

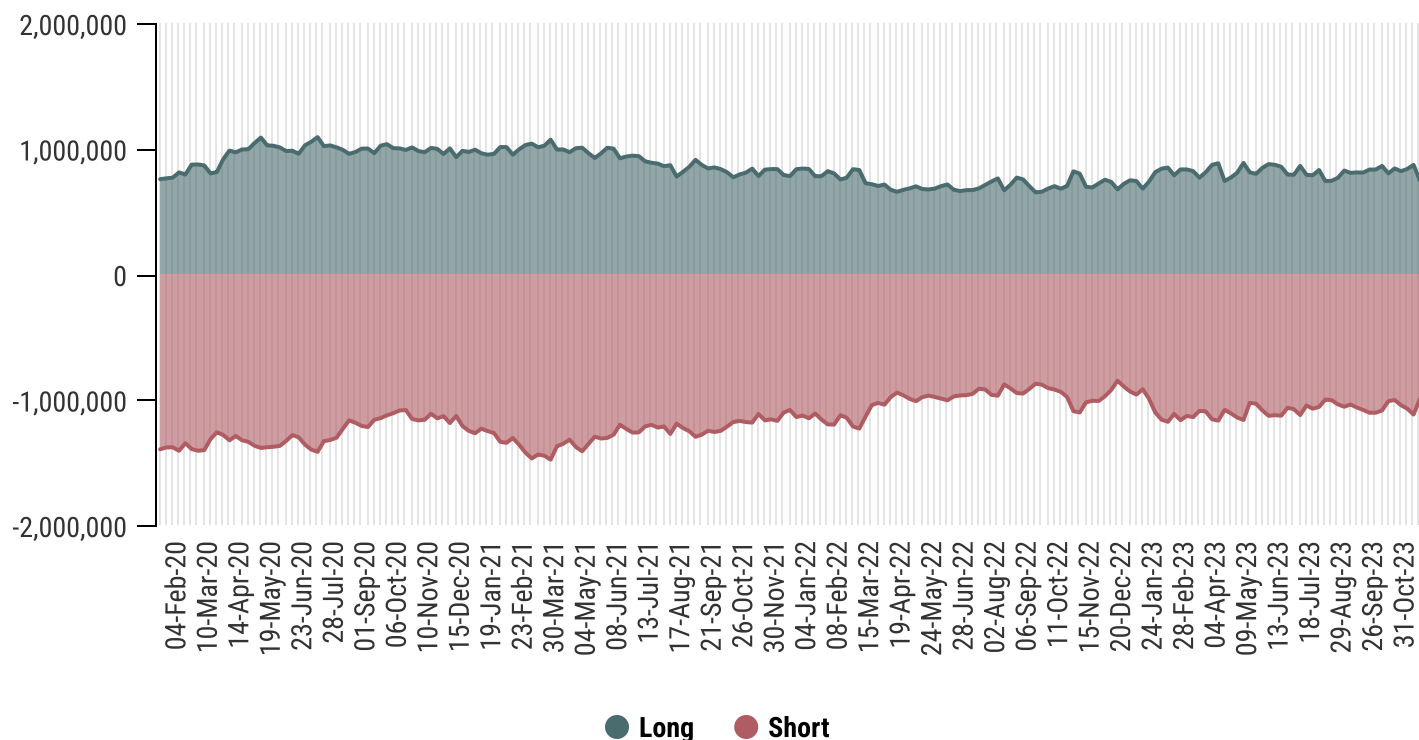
Long/Short Percentile Analysis

- Since we observed a decline in long positions coupled with an uptick in short positions in the week to Nov 07, the long:short ratio continued to come off from 5.33:1.00 to 4.38:1.00, down to the 52nd percentile for all weeks since 2013.

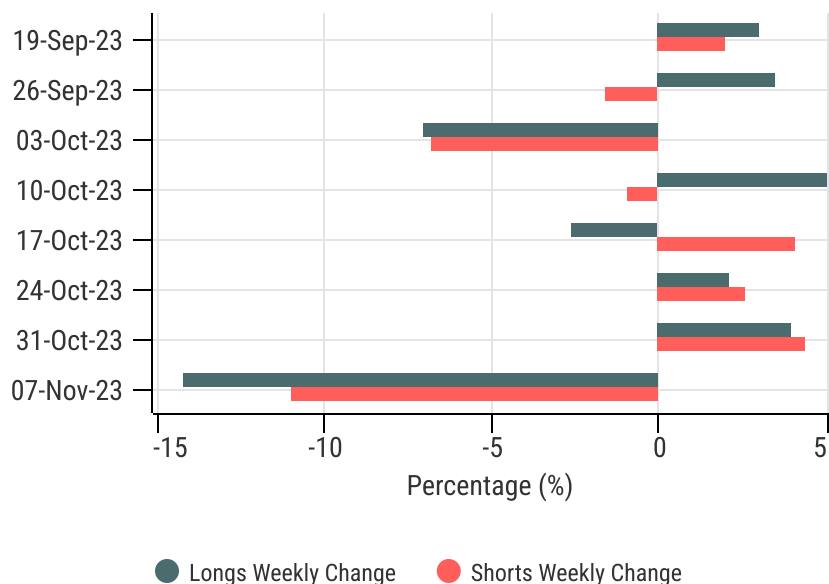


Brent Futures - ICE

Producer/Merchant Long and Short Positions in Brent Futures from 2020



Weekly Changes in Prod/Merc Long:Short Positions in Brent Futures

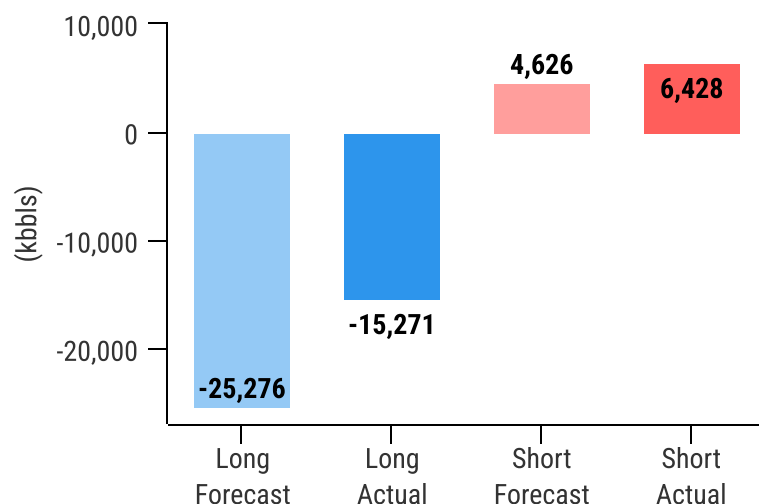


- Short positions in prod/merc experienced a notable reversal after three consecutive weekly increases, marked by a substantial 11% decline (123mbbls). This is the most significant weekly decrease in short positions since May.
- Parallel to the trend in short positions, prod/merc reduced their length significantly. Following a two-week build, there was a drop of over 14% (123 mbbls), constituting the most substantial reduction in length since the start of April.

Brent - Onyx Predictor Review

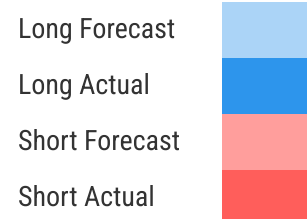
Actual vs Predicted Changes in Long and Short Brent Positions in the week to 07 Nov.

Managed by Money Positions

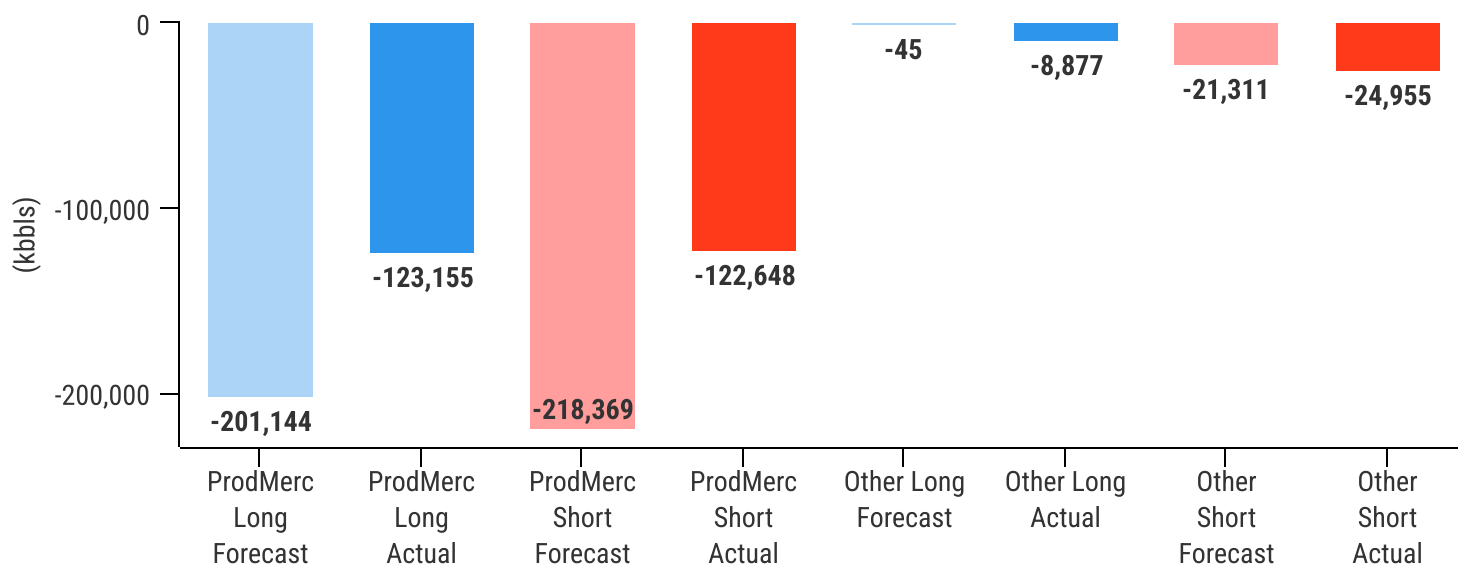


- **In line with Onyx forecast**, we saw long speculators exiting the market in the most recent data whilst also seeing bearish speculators re-enter the market, albeit to a lesser magnitude though in line with expectations.
- These movements of flows were directly correlated with the severe weakness seen in price action this past week in regards to prompt Brent futures.

Key



Non-Money Manager Positions



- **In line with Onyx predictions**, prod/merc participants significantly decreased their long and short positioning in the week to Nov 07, although, to a slightly lesser extent than what was forecasted.
- In addition, changes in other reportables also fell in line with our predictions, with long and short positioning decreasing, which in turn meant we observed a decrease in all non-money manager positions in the week to Nov 07.
- Cumulative open interest across all positions saw a considerable w-o-w decrease of over 160mbbls, the greatest weekly decrease seen since mid July 2014.

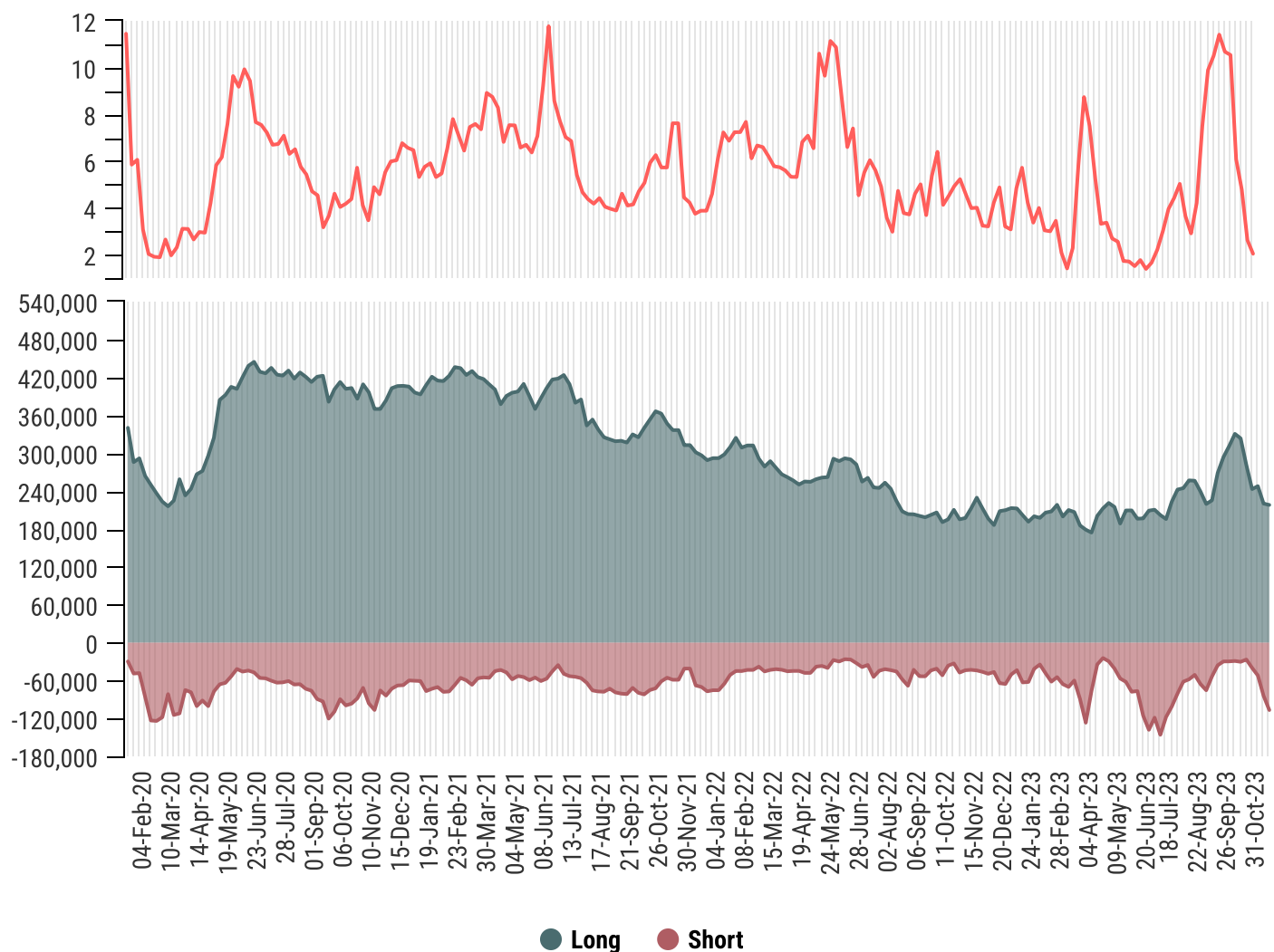
WTI Futures - NYMEX

NYMEX WTI Futures

- **Bearish sentiment continued to spread across WTI futures**, with a second consecutive week of bulls removing length and bears adding to their short positions, albeit to a slightly lesser extent.
- Bullish money managers closed a further 2.2mbbls in the week to Nov 7, bringing long spec interest to its lowest level since early July.
- Bearish speculators continued to aggressively increase their short positioning, adding over 22mbbls positions.
- Similar to Brent, prompt WTI price action hit its lowest level since July, settling below \$80/bbl on Nov 7, at \$77.37/bbl, and has remained below since.

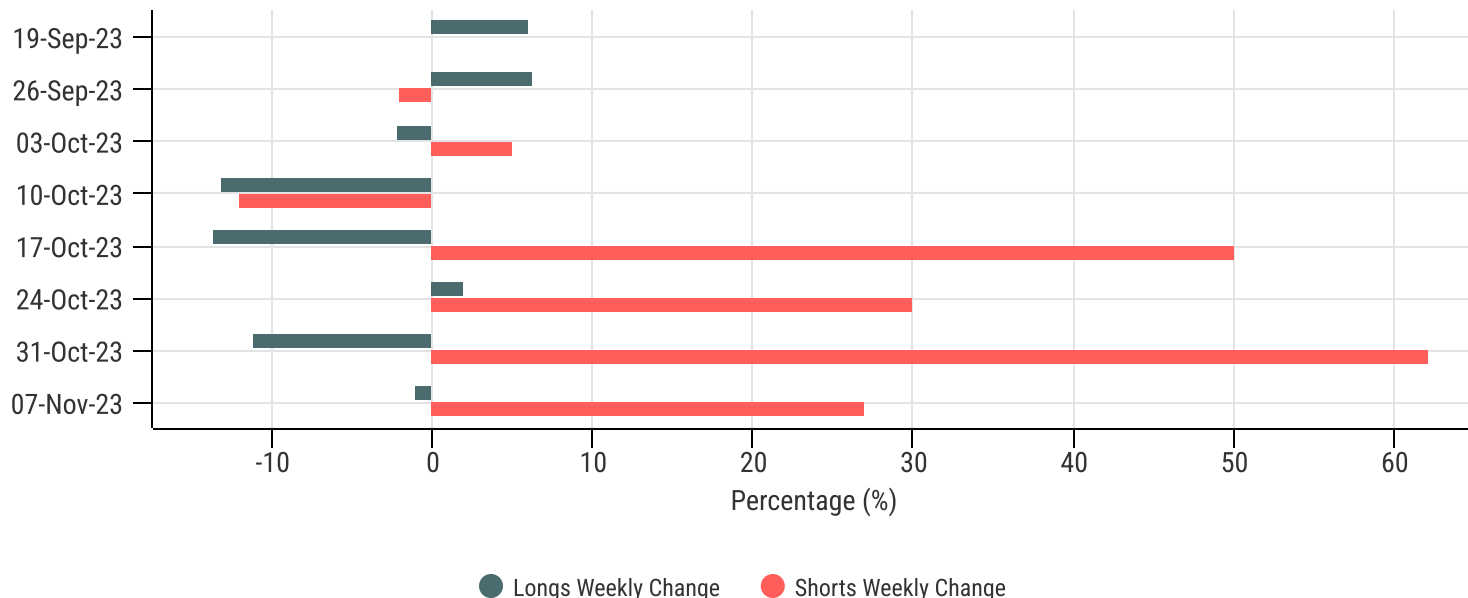
Managed by Money Long and Short Positions from 2020

— Managed by Money Long/Short Ratio



WTI Futures - NYMEX

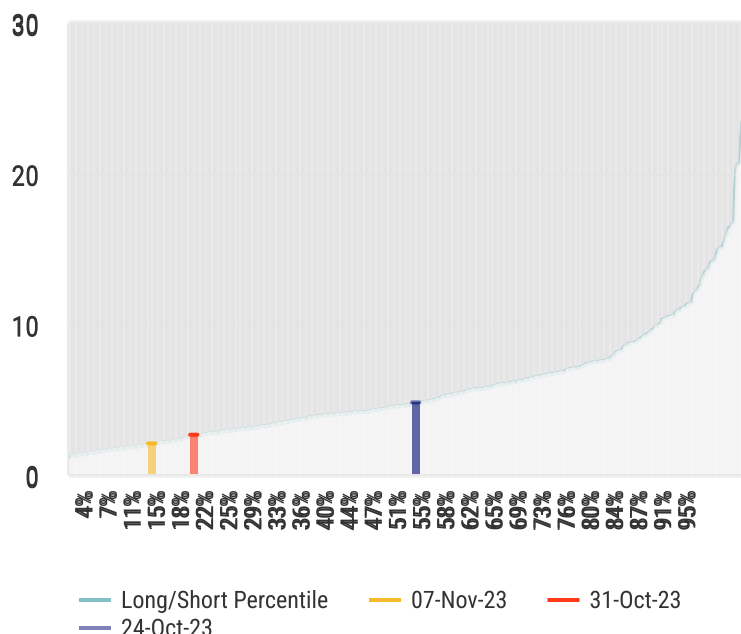
WTI Futures: changes in Managed by Money positions in the last eight weeks



- The week to Nov 7 marks the 4th consecutive week of significant increase in bearish interest, taking net positioning to its shortest since the beginning of July.
- The API reported that US crude inventories saw a build of 11.9mbbls, the third largest build of the year, helping to spark more bearish interest. It will be interesting to see if the EIA confirms this build, when their results return on Nov 15.

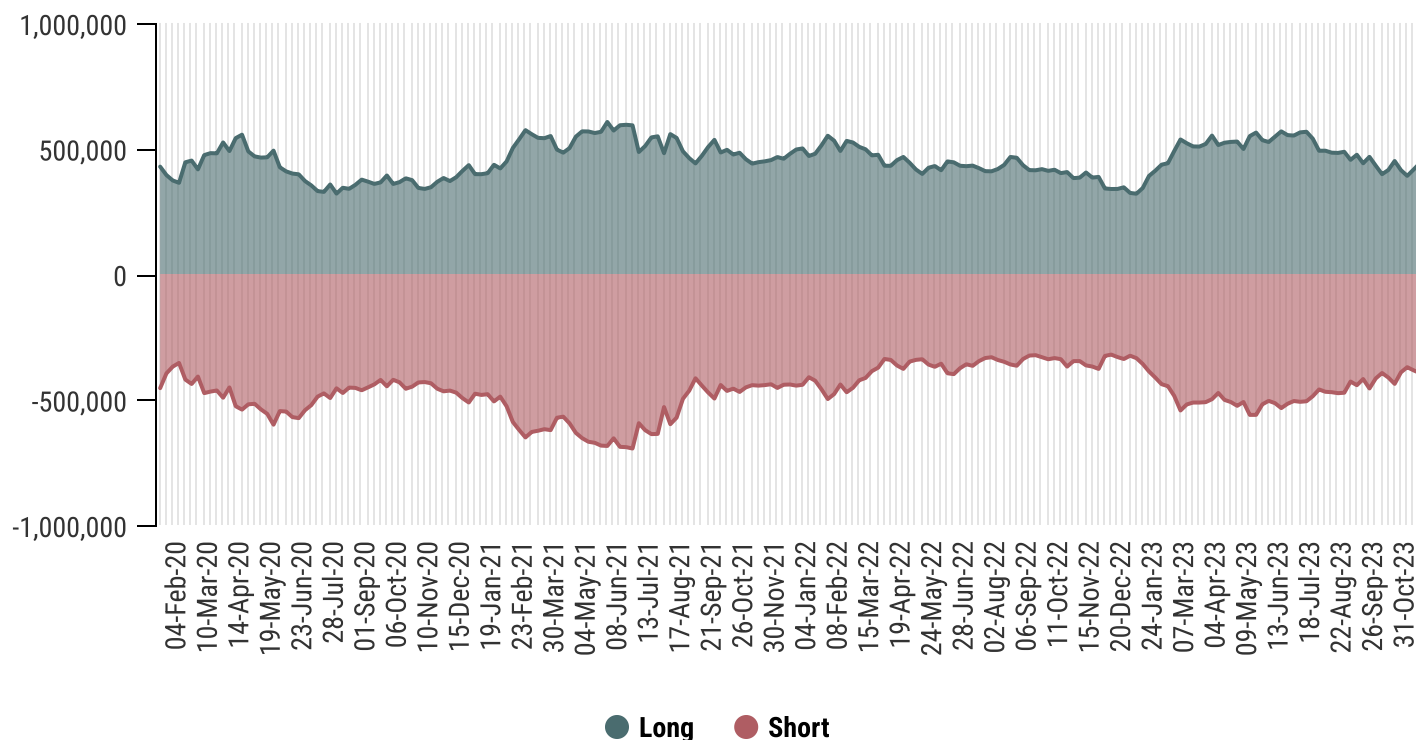
Long/Short Percentile Analysis

- Similar to Brent, the confluence of a decrease in long positions coupled with a rise in short positioning in the week to Nov 7, saw the long:short ratio continue to come off from 2.62:1.00 to hit an 18-week low of 2.04:1.00 and sit in the 13th percentile for all weeks since 2013.

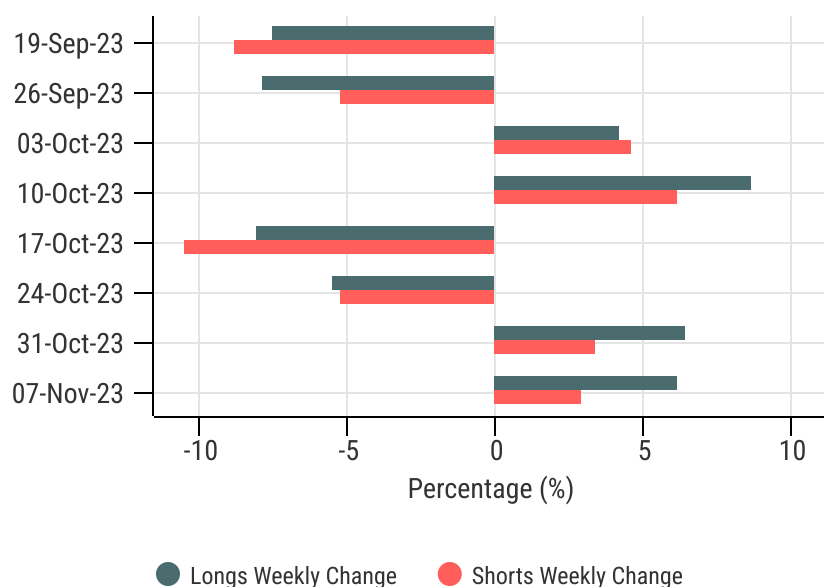


WTI Futures - NYMEX

Producer/Merchant Long and Short Positions in WTI Futures from 2020



Weekly Changes in Long:Short Positions Over the Last Eight Weeks



- Prod/merc positions continued to take a risk-on approach through increasing positioning on both fronts for a second consecutive week, with longs adding more than 25mbbls and shorts adding nearly 11 mbbls in the week to Nov 7.
- With WTI flat price coming off aggressively, both sell-side and buy-side hedging interest increased from producers and end-users, respectively.

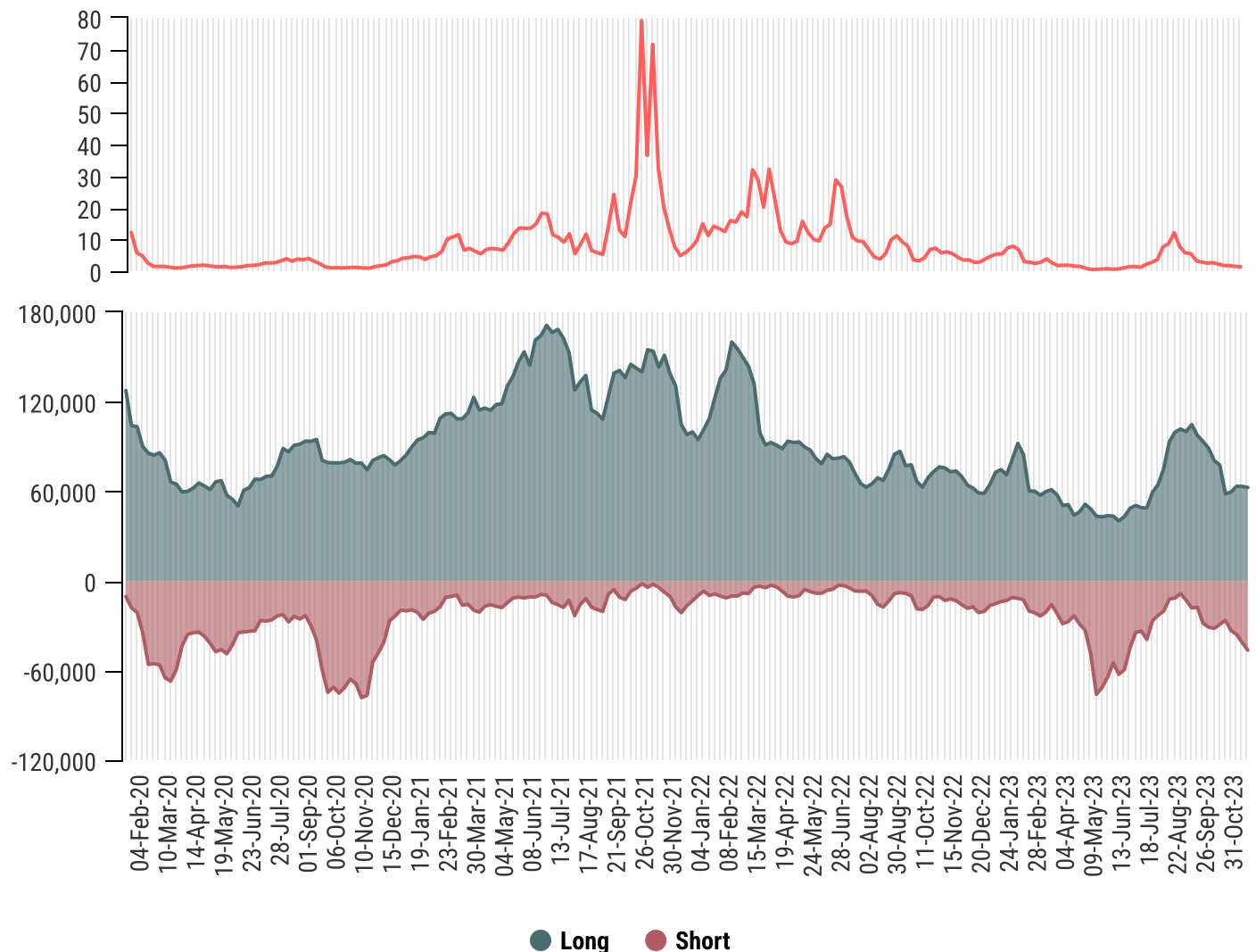
LS Gasoil Futures - ICE

ICE LS Gasoil Futures

- ICE LS gasoil futures saw money managers liquidate their length for the 2nd consecutive week in the week to Nov 7, amid weaker European and North American fundamentals.
- Bearish speculative players have continued their risk-on endeavours as they increased their positioning by 12% with the long:short ratio falling below the 17th percentile, currently at 1.35. Short interest in gasoil futures is at the highest level since June now.
- In the context of a weakening geopolitical risk premium we also saw decreasing industrial production in Germany and poor demand in China while the ARA and the API saw builds in Gasoil stocks. North America saw an added 1mbbls in Gasoil futures stocks, countering the effect of the previous draw observed. It will be important to monitor other data indicators as the EIA did not announce any stats for oil products last week due to systems upgrade and it will be interesting to see the market reaction if this build is confirmed with the front crack hovering in the mid \$20/bbl handles right now.

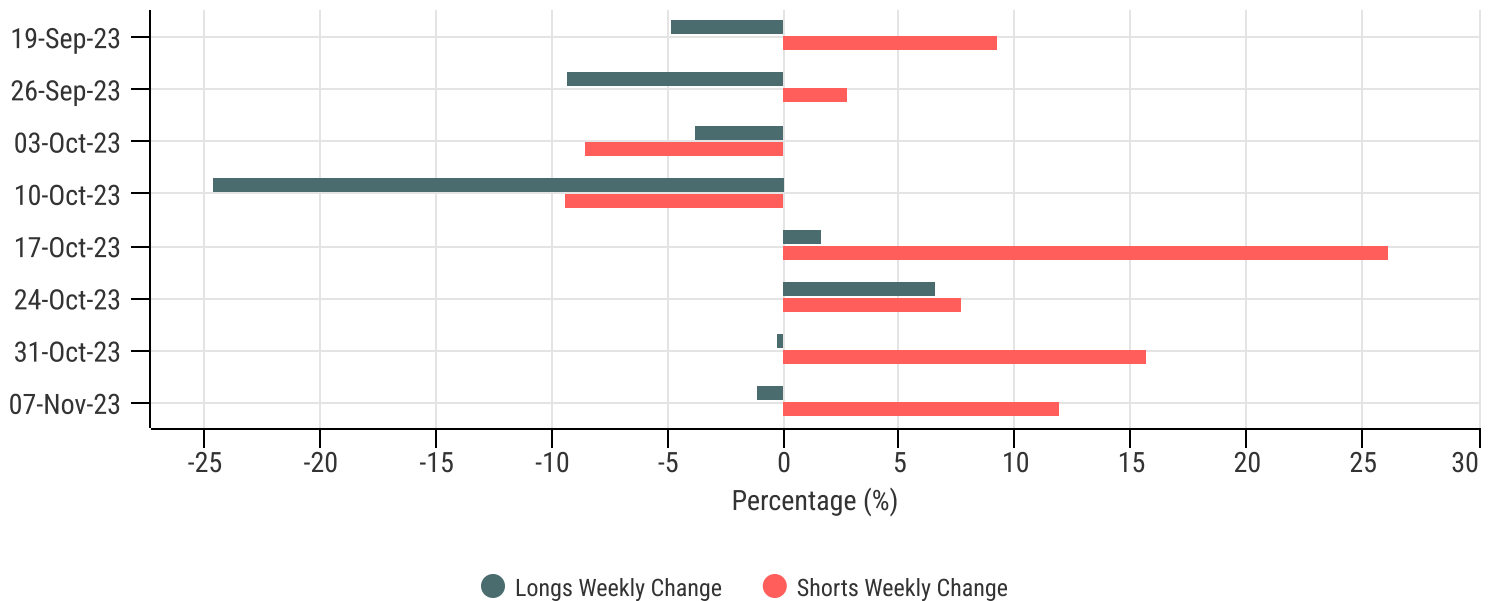
Managed by Money Long and Short Positions from 2020

— Managed by Money Long/Short Ratio



LS Gasoil Futures - ICE

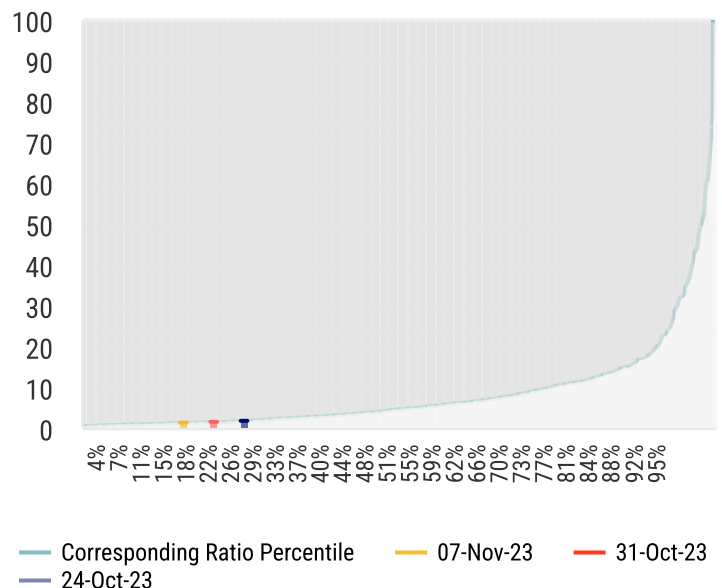
Weekly changes of Managed by Money positions in LS Gasoil Futures in the last eight weeks



- Speculators were mainly on the sell-side this week with bulls reducing their length for the second consecutive week, albeit less than 1mbbls have been closed in that period. Bears have continued adding shorts for the 4th consecutive week with over 19.9mbbls of short speculative positions opened in that time.
- Weather is going to play a big role going forward as it seems the market is waiting for more clear demand queues despite the market remaining fundamentally tight.

Long/Short Percentile Analysis

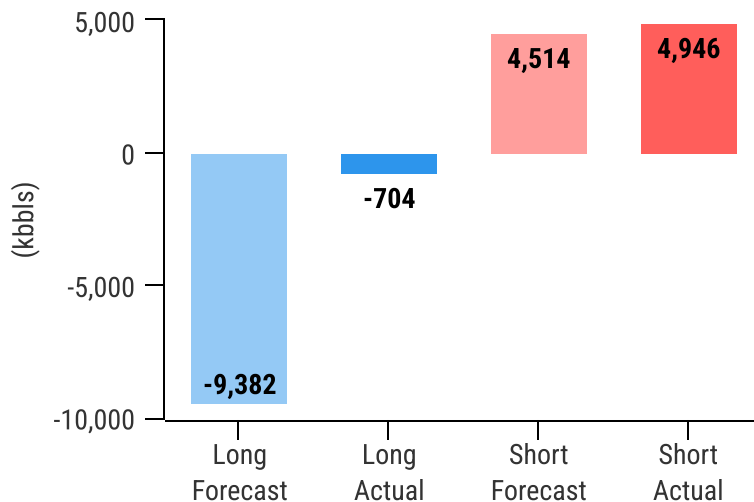
- The long:short ratio has been declining for the 5th consecutive week, from the 22nd to the 17th percentile for all weeks since 2013, the lowest level since mid-July.
- Amid weak fundamentals, gasoil prices are continuing to be squeezed short, with a long:short ratio decreasing by -39.1% m-o-m.



GASOIL - Onyx Predictor Review

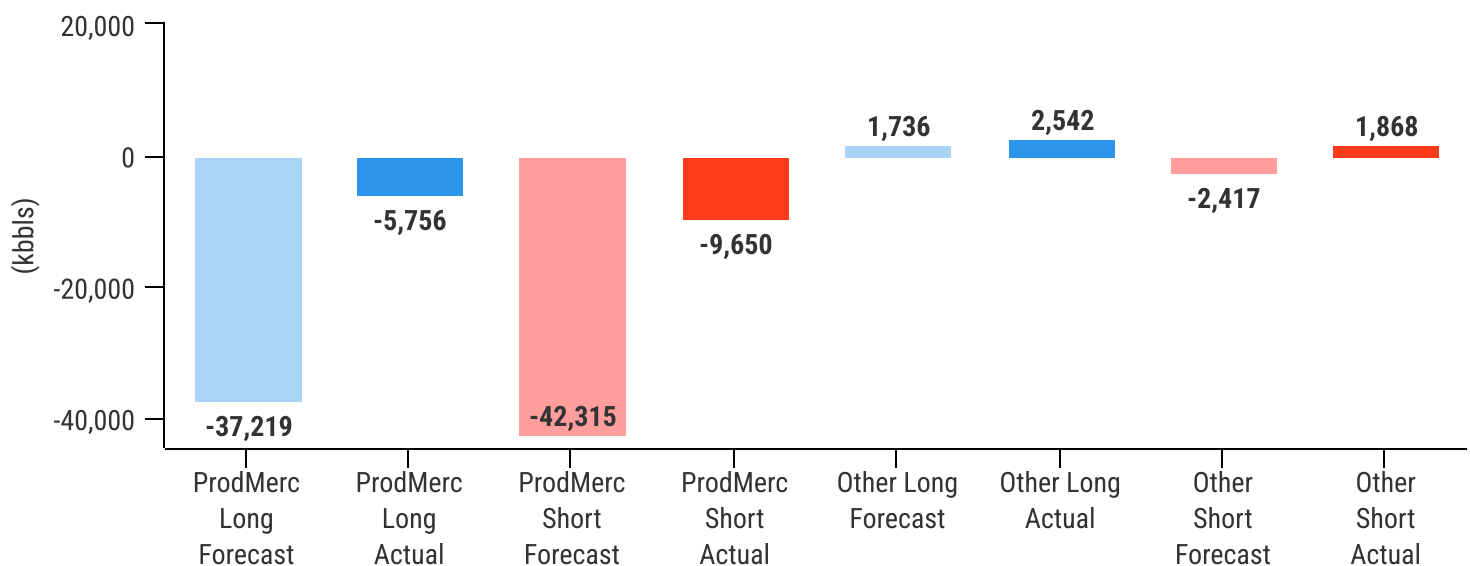
Actual vs Predicted Changes in Long and Short Gasoil Positions in the week to 07 Nov.

Managed by Money Positions



- In line with Onyx predictions, speculators continued to remove length, albeit to a notably smaller extent of 706kbbbls. To a very similar extent to what was predicted, money managers added shorts with an increase of 4.9mbbbls worth of positions.
- Money managers' reaction is in line with the bearish market sentiment with demand in Europe leaving a lot to be desired.

Non-Money Manager Positions



- Week-on-week changes in prod/merc and other reportable positions have been **in line with Onyx predictions**, with the exception of other reportable shorts increasing by 1.9mbbbls
- The magnitude of prod/merc changes was much lower than originally forecast, with physical participants still taking a risk-off approach.

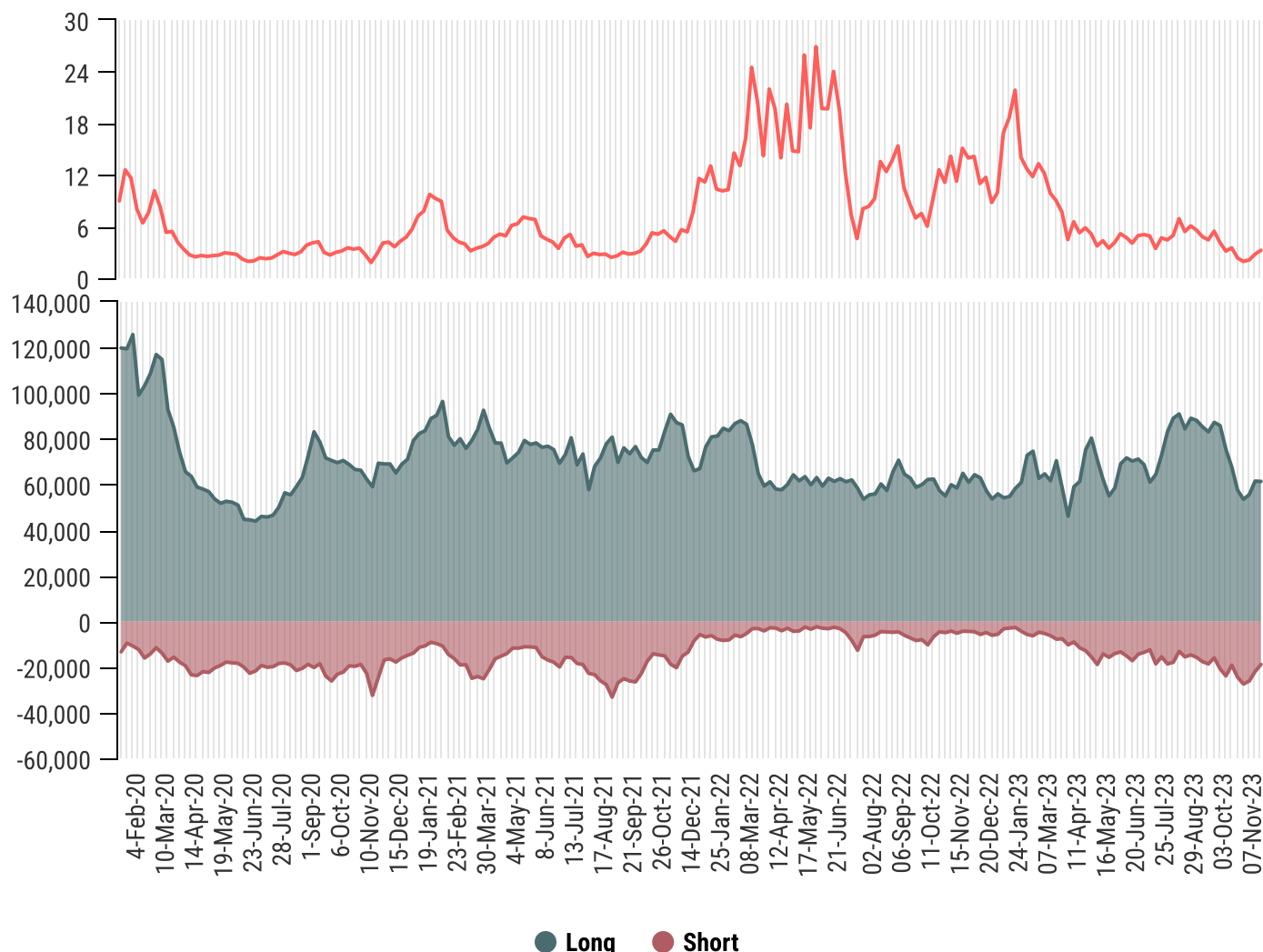
GASOLINE RBOB - NYMEX

NYMEX Gasoline RBOB

- RBOB bullish positioning decreased to a minimal extent in the week to Nov 7, with bullish speculators decreasing their longs by just 0.2%.
- Money managers were seen closing their shorts to a much greater extent than bulls, with a 14.1% decline in shorts, prompting the net positioning to increase by over 2.9mbbls, or a 7.4% shoot up w-o-w. The long:short ratio is at its highest in 5 weeks and is now at 3.25:1.00 as opposed to 2.80:1.00 seen last week.
- RBOB has been rangebound this week on the back of tight US fundamentals, with selling still seen as the Arb showed European strength. Although the fundamental picture in the US saw refineries reporting outages, the EIA did not release any data, thus not showing what the impact of such technical issues were. The API still reported a small 0.4mbbls draw though considering this was not confirmed by EIA stats the market reaction was muted. However, the picture was tighter in Europe and people started selling the Arb, dragging RBOB prices lower than they would have been. RBOB strength is thought to be temporary.

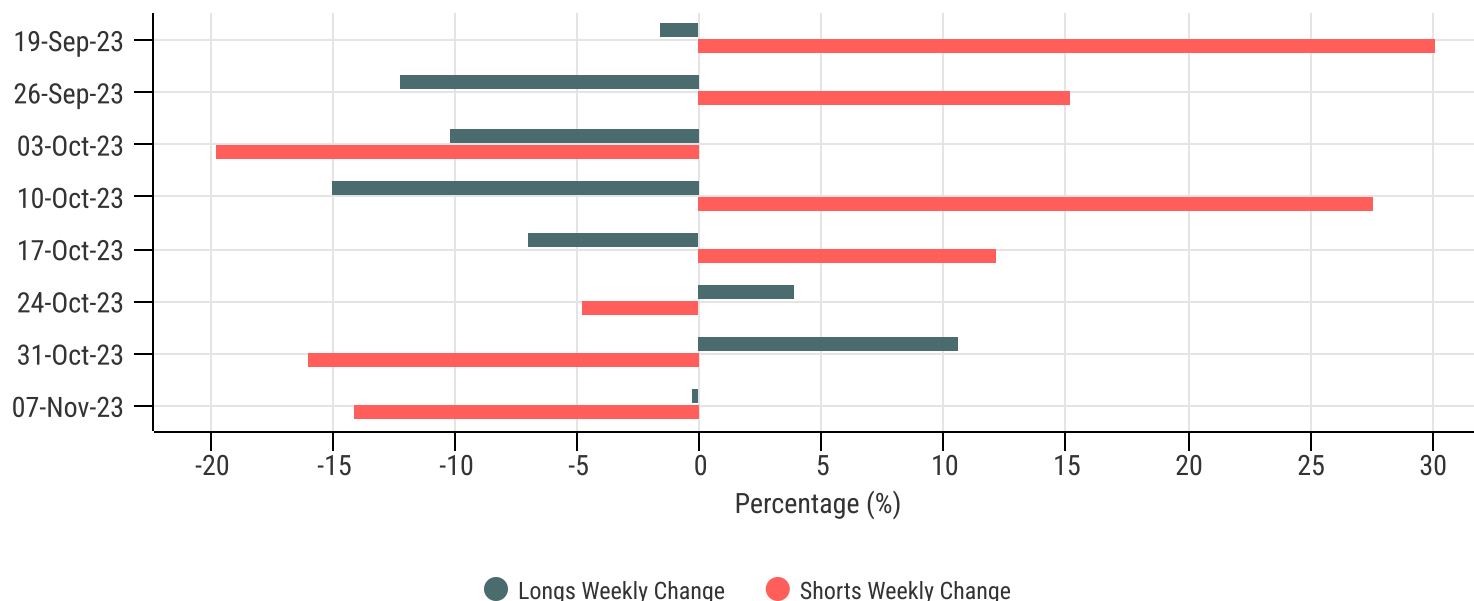
Managed by Money Long and Short Positions from 2020

— Managed by Money Long/Short Ratio



RBOB Futures - NYMEX

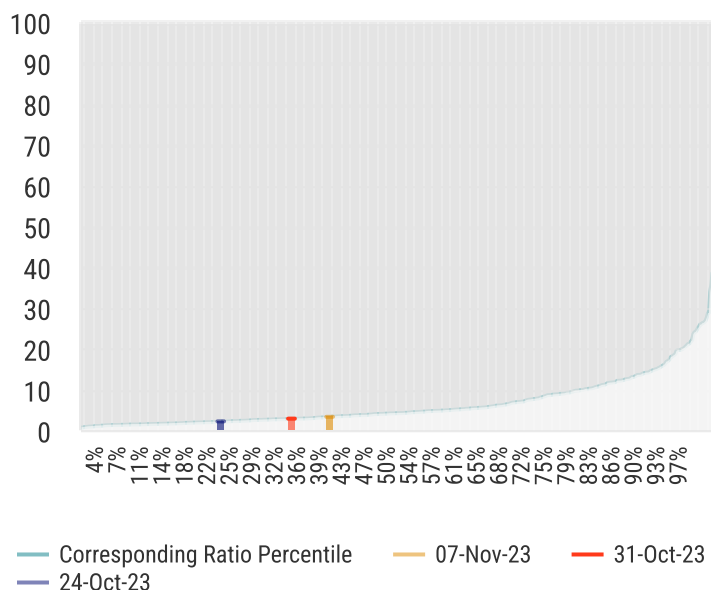
Weekly changes of Managed by Money positions in RBOB Futures in the last eight weeks



- For the first time in five weeks, we have seen a reduction in both longs and shorts, although shorts decreased by 14% compared to only 0.2% for bulls.
- In the context of tight market fundamentals, bearish interest has seen RBOB remain rangebound. Indeed, price action was being supported by refinery outages in the US at a PA refinery in Baton Rouge and the delayed restart of Bayway FCC and Trainer. This was helped with the API reporting a small draw in Gasoline stocks. However, RBOB was dragged down by strong selling in the Arb from funds and other speculators as they believed market tightness would not last long.

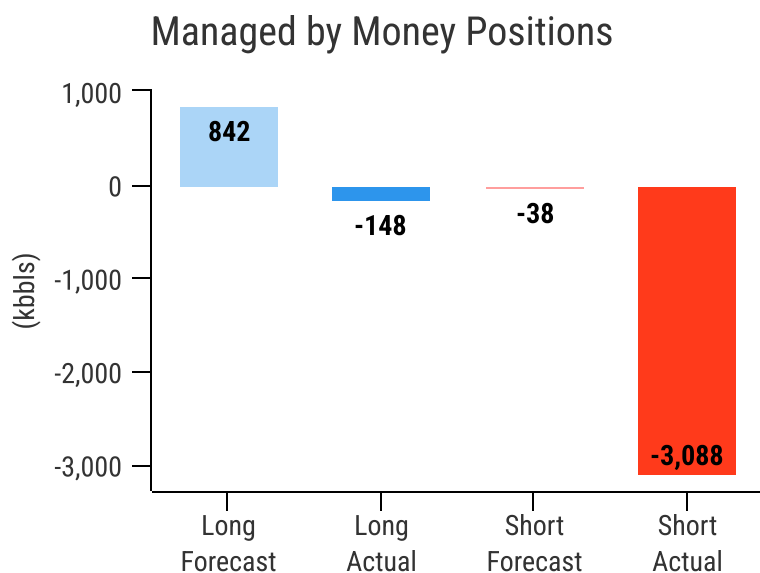
Long/Short Percentile Analysis

- In line with a clear reduction of shorts, the long:short ratio is continuing its recovery above the 40th percentile as it is now at 3.25:1.00, compared to 2.80:1.00 last week (40th percentile)
- Net positioning has increased by 7.4% w-o-w, to 42.5 mbbls. The ratio is at its highest in 5 weeks.

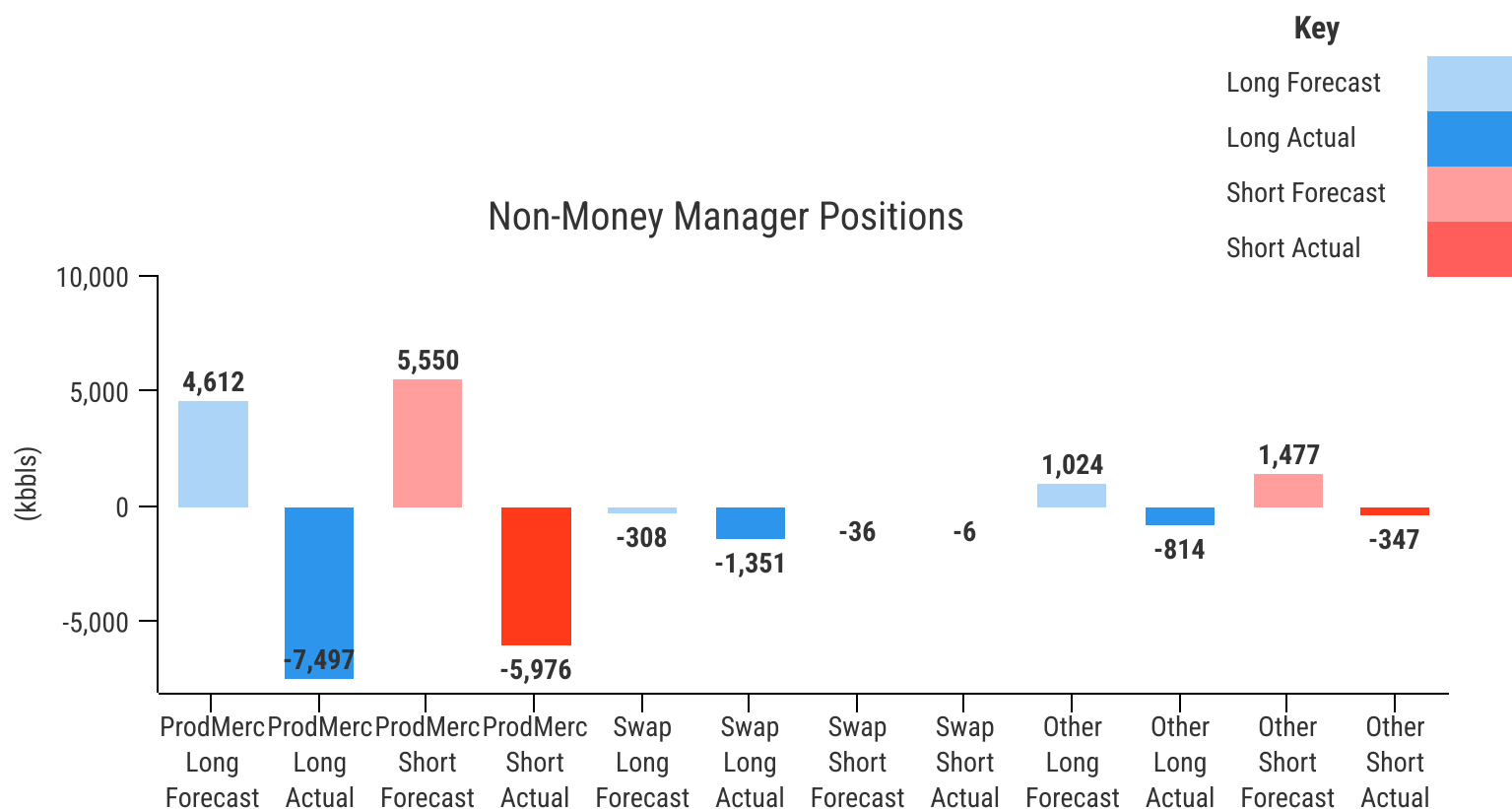


RBOB - Onyx Predictor Review

Actual vs Predicted Changes in Long and Short RBOB Positions in the week to 07 Nov.



- **In contrast to our predictions,** speculators have decreased their exposure, although to a small extent as it only represents 0.2% of long positions being closed.
- In line with our predicted direction, bears were reduced w-o-w, although it was to a far greater extent than originally forecasted. Indeed, they decreased by over 3mbbls, representing over 14% of bearish interest being cut.



- **In contrast to Onyx predictions,** prod/merc players continued to take a risk-off approach for the third consecutive week, and reduced drastically their shorts and longs to similar amounts with 6.9% and 3.4% declines w-o-w, respectively.
- Swap dealers expectedly reduced their length and shorts, although long positions were reduced to a greater extent than predicted. Other reportables also saw reduced positions as market players seem to all have risk-off attitudes.