

Flash note  
13/10/2021

Alex Fusté

@AlexfusteAlex

[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

## Why could the price of oil begin to moderate?

**Hedge fund oil trades are becoming crowded:** Hedge fund buying interest in oil trades is becoming crowded and at risk of a sudden reversal. According to regulatory records, hedge funds and other money managers purchased equivalent of 24M barrels in oil related futures and options contracts in the week to 5-Oct. Purchases over the past six weeks have totaled 194M barrels, reversing more than two thirds of the 268M barrels sold over the previous 10 weeks, while number of short positions across all six most relevant contracts has fallen to the lowest for 124 weeks, as continued price escalation forces bearish fund managers to close out positions. In summary. There are almost no shorts in crude, while longs are at highs.

**Crude prices have outpaced copper and other commodities by the widest margin in a decade:** The recent oil price gains are now on track to outpace copper this year by the largest amount since 2002 and is topping an index of raw materials by the biggest margin in more than a decade. The crude's persistent rise shows the extent to which many traders expect weak supply to buoy prices. In contrast, some industrial metals have fallen due to fears of softening growth in some countries, especially in China.

**If the oil rally continues it could prompt supply and political responses from US.** A White House official said that the Biden administration stands by its calls for OPEC+ producers to "do more" to support the global economic recovery. The official said "the administration is closely monitoring the cost of oil and gasoline and using every tool at our disposal to address anti-competitive practices in US and global energy markets". The White House has raised the concern at a senior level with several members of OPEC+ officials.

Good thing there is someone on the planet with the authority, and the ability to scold these OPEC price manipulators.

Best