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Weekly Commodities ETF Report: Commodity ETFs Track Global Equities Lower; Crude Trades to Lowest Level as Rig Count Surges to 34-Month High; Gold Pares Losses on Safe Haven Appeal

The spike in US bond yields last week continued to reverberate into this week, with most commodities and funds associated with them tracking global equities lower.

Crude led the energy sector in losing ground throughout the entire week of volatile trading, with expectations that oil prices will be curbed by a slowdown in refinery activity as refiners enter a period of maintenance. On Wednesday, oil prices continued to fall despite the American Petroleum Institute's (API) report of a draw of 1.050 million barrels of US crude oil inventories for the week ending January 30. Analysts had expected a build of 3 million barrels in crude oil inventories. Meanwhile, official data from the Department of Energy showed that US stockpiles of crude oil rose by 1.9 million barrels to 420.3 million barrels in the week ended February 2. Total motor gasoline inventories rose by 3.4 million barrels. Distillate fuel inventories jumped 3.9 million barrels and propane-propylene stockpiles fell by 4.1 million barrels. By Thursday, crude oil futures had slipped to their lowest in five weeks due to a stronger dollar and demand concerns. And on Friday, crude traded to its lowest level so far this year as Baker Hughes (BHGE) data showed that the US oil rig count surged to a 34-month high.

For the week, light, sweet crude oil for March delivery was down 9.25% and closed Friday at \$59.05 per barrel. Gasoline sank 8.90% during the week and settled at \$1.70 per gallon at the close of Friday's session. Meanwhile, natural gas fell 9.05% this week, and closed Friday's session at \$2.60 per 1 million British thermal unit.

The United States Oil Fund ([USO](#)) was down 8.97% during the week (versus up 2.41% the previous week) and closed the session at \$11.87 while the United States Natural Gas ETF ([UNG](#)) was down 8.88% over the last five days (from down 5.30% the prior week), at \$22.06 as the regular session ended. United States Gasoline Fund LP ([UGA](#)) was at \$30.24 at Friday's close, declining 9.11% during the week (versus up 0.14% last week).

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Precious metals were also in negative territory for much of the week, although gold had some bright spots, as it was boosted by its safe haven appeal. The yellow metal showed modest gains on Tuesday and Wednesday, but that appeal was soon offset by expectations the Federal Reserve (Fed) will raise interest rates in March and again before the summer.

By the end of Wednesday's session gold prices touched a monthly low after Chicago Federal Reserve President Charles Evans said a pick up in consumer prices could warrant as many as four rate hikes by year's end. He did, however, note that the Fed should hold off on interest rate increases until at least mid-2018. Gold pared recent losses on Thursday and Friday as US stocks continued to fall, but still failed to generate much buying interest due to speculation that interest rates will rise.

Copper saw volatile trading throughout the week, pressured by the sharp declines in global equity markets. On Wednesday, copper had seen its worst trading session of the year so far, but by Thursday prices had steadied somewhat, even logging modest gains following the report from China that January import volumes of unwrought copper rose 16% compared to last year totaling 450,000 tonnes during the month. Copper concentrate cargoes also rose sharply -- jumping 25% from the same month last year to total 1.6 million tonnes in January. The year-over-year increase in volumes follows China's crackdown on copper scrap imports, part of its efforts to decrease pollution and consolidate heavy industries. By Friday, the red metal was back in negative territory, with prices on both the London Metal Exchange (LME) and the Shanghai Futures Exchange (SHFE) declining on data that copper inventories rose once again. Inventory data from China, the world's biggest copper consumer, showed that deliverable SHFE copper warehouse stocks rose by 13,537 tonnes from last week to 186,132 tonnes. On-warrant copper warehouse stocks -- copper supplies not for delivery -- also increased to 70,077 tonnes. The United States Copper Index Fund (CPER) fell 3.73% during the week, versus a decline of 2.09% in the previous week. It ended the Friday session lower, settling at \$19.50 at the close.

Soft commodities were mostly lower during the week, with corn, cocoa, and wheat in the red. Despite weakness, wheat ended the week higher -- its fourth week of gains -- after the U.S. Department of Agriculture (USDA) said in its monthly supply-demand report Thursday that it is raising its U.S. wheat ending stocks outlook to 1.009 billion bushels from 989 million bushels due to lower exports. Wheat prices have benefited from concerns over dry US weather and the lack of snow cover for the US winter wheat crop, but global supplies of the grain remain abundant. The Agricultural Index Fund ([USAG](#)) ended Friday's session at \$16.93; during the week, the fund was rose 1.97%, from being essentially flat throughout the previous week.

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