

## The Commodities Feed: All eyes on OPEC+

It is a fairly short trading week this week with Thanksgiving in the US on Thursday. However, markets will be keeping a close eye on any developments related to OPEC+ as the group is set to meet in Vienna this weekend to discuss output policy



Source: Shutterstock

### Energy - Deeper OPEC+ cuts?

While the oil market managed to rally by more than 4% on Friday, taking ICE Brent back above US\$80/bbl, the market still registered its fourth consecutive week of declines following signs that the market is not as tight as initially expected. However, the recent weakness has increased noise over what OPEC+ will decide to do at its meeting on 26 November. We continue to expect that Saudi Arabia and Russia will roll over their additional voluntary cuts into early 2024. However, what is less clear is whether the broader OPEC+ group will make further cuts. There were reports on Friday that the group could consider a cut of up to 1MMbbls/d. A deeper group cut combined with the Saudis and Russians rolling over their voluntary cut would be more than enough to ensure that the surplus currently expected in 1Q24 disappears.

The latest positioning data shows that speculators continue to reduce their net long in oil. Speculators sold 5,053 lots in ICE Brent over the last reporting week to leave them with a net long of 170,985 lots as of last Tuesday. It was a similar move in NYMEX WTI with speculators selling

11,257 lots, leaving them with a net long of 124,296 lots, which is the smallest position they have held since July. Speculators will likely be a little concerned about leaving too much risk on the table ahead of next weekend's OPEC+ meeting. Therefore, there is the potential for some further short-covering this week.

The latest data from Baker Hughes shows that the US oil rig count increased by 6 over the last week to 500, which is the largest increase since February. However, the rig count is still down close to 20% YTD. The slowdown in drilling activity this year suggests that US supply growth in 2024 will be much more modest than the roughly 1MMbbls/d supply growth estimated for this year.

Russia announced on Friday that it lifted its export ban on gasoline with the domestic market a lot more comfortable now. The export ban had been in place since 21 September, and it originally included diesel as well. Russia is a fairly small exporter of diesel, exporting less than 5m tonnes last year.

As for the calendar this week, WTI December futures expire today, whilst we will also get further trade data out of China, which includes flows by country. Trading volumes will also likely be thinner towards the end of the week with Thanksgiving in the US on Thursday. However, this week's big event falls over the weekend with OPEC+ set to meet in Vienna to discuss output policy. There will likely be plenty of noise around what the group may do in the lead-up to the meetings.

## Metals – China's metal production rises

Recent numbers from the National Bureau of Statistics (NBS) show that China's refined copper output rose 13.3% YoY to 1.13mt in October. However, copper production fell marginally -0.4% MoM last month, after posting gains for two straight months. Among other metals, zinc output rose 7.7% YoY to 626kt, while lead production increased 8% YoY to 674kt last month.

Chilean copper miner, Antofagasta and Chinese smelter, Jinchuan have agreed on an annual treatment charge of US\$80/t for next year, which is 9% lower than 2023 levels. It is also the first decline in three years. An easing in treatment charges suggests that there is an expectation that the copper concentrate market will tighten in 2024. Given the expansion in smelting capacity in China, this tightening shouldn't come as too much of a surprise.

Data from the Shanghai Futures Exchange (ShFE) shows that copper stocks decreased by another 3,820 tonnes over the last week, a second consecutive week of declines. SHFE copper stocks now stand at 31,026 tonnes as of 17 November, the lowest since the end of September 2022. Among other metals, zinc stocks increased by 7,626 tonnes to 43,204 tonnes, while lead stocks also reported inflows of 10,920 tonnes to 79,816 tonnes as of Friday.

## Agriculture – Indian sugar output falls

Data from the National Federation of Cooperative Sugar Factories Ltd. shows that sugar production in India fell by 37% year-on-year to 1.28mt between 1 October to 15 November. The group said that sugar cane crushing in India decreased by 34% YoY to 16.2mt over the period, as unfavourable weather conditions decreased yields. Meanwhile, around 263 sugar mills were crushing cane as of 15 November, down from 317 mills seen last year.

Recent numbers from Ukraine's Agriculture Ministry show that the domestic grain harvest is up 38% year-on-year to 53.8mt as of 17 November. The increase was driven largely by corn, with the

harvest rising 93% YoY to 23.7mt. Similarly, the soybean harvest stood at 4.8mt (+32% YoY), while the wheat harvest stood at 22.4mt (+16% YoY).

According to the latest monthly report from Western Australia Grain Association, wheat production estimates fell to 7.9mt for the 2023/24 season, down from the previous month's estimate of 8.1mt. Drier weather conditions over September and October, and lower yields at the start of the harvest are primarily responsible for lower production estimates.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).