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

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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

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com