The Commodities Feed: Decision time for OPEC+

OPEC+ meet in Vienna today and a supply cut seems to be a guaranteed outcome. However, what is less clear is the scale of the cut we could see from the group

The market is expected to be in peak surplus through the first quarter of 2026, so a pause makes sense, though its size remains uncertain

Energy - OPEC+ cut expectations getting larger

OPEC+ meet later today to discuss their output policy for November. It is pretty clear that the group will need to cut at their meeting and expectations about the scale of the supply reduction are growing. Initially, it was suggested that the group could reduce production in the region of 1MMbbls/d, however, there are now suggestions that OPEC+ could cut by as much as 2MMbbls/d. It is important to remember that these are paper cuts and that actual cuts would be much smaller. However, if OPEC+ were to announce a paper cut of as much as 2MMbbls/d, it would work out to an actual output decline in the region of 1MMbbls/d, which would mean that the surplus we expect for the rest of this year would likely disappear. This would provide a solid floor to the market. The group will need to manage expectations, if for some reason they announce a paper cut of less than 1MMbbls/d we could see an immediate downward correction in prices.

The US Treasury is expecting that the price cap on Russian oil will be formally announced in the coming weeks. EU members are currently working towards an agreement on the cap, however, concern from certain EU members has meant that talks have dragged on. The European Commission still wants to reach a preliminary agreement before EU leaders meet on 7 October.

Metals – dollar weakness supports base metals complex

Weakness in the US dollar supported the base metals complex as negative economic data from the US eased concern that the Federal Reserve will tighten monetary policy too rapidly. The Institute for Supply Management's gauge of US factory activity dropped to its lowest level in more than two years in September. US jobs data, which is due later this week, might provide more clues on the Fed's rate hike trajectory.

Iron ore prices also rose on speculation China might ease Covid-19 curbs and take more steps to revive the country's ailing property market after reports that regulators told the biggest state-owned banks to provide financing worth at least $85 billion to the sector.

Nyrstar will close its Port Pirie lead smelter facility in Australia for 55 days for upgrades aimed at reducing emissions and improving operational performance, the Belgian-based company said. Trafigura, the majority owner of Nyrstar, didn't comment on how much lead Port Pirie produces. The plant produced 160kt of lead in 2018.

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