

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.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Ewa Manthey

Commodities Strategist

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.