

The Commodities Feed: Gold holds above \$2,000

Sentiment in the oil market remains negative despite the growing noise of potentially deeper OPEC+ cuts. Meanwhile, a weaker USD and lower treasury yields continue to push gold higher



Energy - Attention remains on OPEC+

The oil market came under further pressure yesterday despite growing reports that Saudi Arabia is pressing the broader OPEC+ group to agree to deeper supply cuts when they meet on Thursday. ICE Brent settled just below US\$80/bbl as the market increasingly focuses on a looser oil balance early next year. The extension of additional voluntary cuts from Saudi Arabia should erase most of the surplus expected in 1Q24. However, if OPEC+ want to provide more solid support to the market and ensure that we do not see stocks building early next year, they will need to agree on deeper and broader cuts. The Saudis and OPEC+ have made a habit of surprising markets in recent years when it comes to their meetings. However, with aggressive cuts already in place, it does leave one wondering the degree to which the group could surprise the market with deeper-than-expected cuts.

The latest Commitment of Traders report was released yesterday (delayed due to Thanksgiving last week), and unsurprisingly, given the weakness seen in the market, speculators continued to

reduce their net long in ICE Brent over the last reporting week. The managed money net long fell by 15,880 lots to 155,105 lots as of last Tuesday, which is the smallest position since early October. The move was predominantly driven by longs liquidating. Similarly for NYMEX WTI, speculators reduced their net long by 19,751 lots over the last reporting week to 104,545 lots - the smallest position since July. While longs are liquidating as sentiment in the market sours, there is also likely an element of speculators taking risk off the table ahead of the OPEC+ meeting.

European natural gas prices came under further pressure yesterday with TTF settling more than 5.7% lower on the day. The storage situation remains very comfortable at slightly more than 97% full. While storage draws are starting to pick up in pace they still remain at record levels for this time of year. We continue to forecast that European storage will end the 23/24 heating season at somewhere between 45-50% full, which, while lower than last year, is still very comfortable and above average. Reduced volatility in the gas market has also seen ICE reduce initial margins for TTF futures by 13% to EUR13.86/MWh.

Metals – Gold surges to six-month highs

Gold climbed to its highest level since May yesterday amid USD weakness and lower US Treasury yields. The market will be closely watching US data releases this week, including inflation data and Q3 GDP numbers. Meanwhile, gold premiums in Asia, particularly in India and China, have been under pressure as higher prices hamper seasonal demand. Gold dealers in India were heard to be offering discounts of up to US\$6/oz (vs. US\$3/oz a week earlier) over official domestic prices, while premiums in China fell to US\$20-US\$40/oz (vs. US\$43-US\$58/oz a week earlier) over global spot prices last week.

In base metals, aluminium prices have been supported by ongoing production curbs in China's southern Yunnan province. Smelters in the region are reportedly planning to reduce aluminium output again this winter amid declining hydropower supply during the dry season. A total 1.16 mtpa of aluminium smelting capacity is set to be halted and is expected to remain offline until May 2024, when the rainy season usually begins. This will mark the third consecutive year that Yunnan smelters have reduced output during the dry season. Further cuts are possible.

Agriculture – UNICA reports higher cane crush

The latest fortnightly report from UNICA shows that sugar cane crushing in Center-South Brazil increased by 32% year-on-year to 34.8mt over the first half of November. The cumulative sugar cane crush for the season stands at 595.4mt, up 15% YoY. Meanwhile, sugar production rose 31% YoY to 2.2mt over the first half of November with total sugar output up 23% YoY to 39.4mt in the season so far. Around 49.8% of cane was allocated to sugar in the fortnight, higher than the 48.6% allocated to sugar in the same period last year, as higher sugar prices prompted mills to increase production levels. CS Brazil will produce a record amount of sugar in the current 2023/24 season.

The USDA's weekly crop progress report for the week ending 26 November shows that the US corn harvest is largely complete with around 96% of area harvested, slightly above the five-year average of 95%. As for wheat, the data shows that 48% of the winter wheat crop is rated in good to excellent condition, higher than 34% seen at the same stage last year.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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.