

The Commodities Feed: The OPEC+ JMMC meets next week

Improved risk sentiment has seen oil trade higher over the week, whilst supply concerns have only added further strength. OPEC+ meet early next week and we expect the Joint Ministerial Monitoring Committee (JMMC) to recommend no change to output policy



Energy- Gasoil stocks fall

The oil market continues to strengthen, with ICE Brent in striking distance of US\$80/bbl. Risk sentiment has clearly improved across broader markets this week, whilst the oil market also continues to deal with disruptions to Kurdish oil flows via Turkey. In addition to the strength in the flat price, the WTI/Brent discount (June contract) has narrowed to around US\$4/bbl, after having traded close to a US\$6/bbl discount in early March. Strike action in France would be contributing to this narrowing, given that refiners have had to reduce run rates, weighing on crude demand. The wide discount seen in the spread over recent months has helped to boost US crude oil exports - these could start to edge lower with the more recent narrowing of the spread.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 11kt over the last week to 6.08mt. This increase was predominantly driven by jet fuel inventories, which increased by 119kt to 815kt. Gasoil inventories fell by 84kt WoW to 2.35mt. This

is the fifth consecutive week of gasoil stock declines in the region. The loss of Russian supply (due to the EU ban on refined products) and French strike action will be partly why we are seeing these draws. Gasoil inventories remain above the 5-year average, but we suspect stocks will fall below average in the coming months.

Looking to Asia, refined product inventories in Singapore fell by 1.69MMbbls over the week to 48.12MMbbls. Light distillate and residual fuel stocks declined by 1.44MMbbls and 470Mbbls respectively, whilst middle distillates increased by 224Mbbls WoW.

The OPEC+ Joint Ministerial Monitoring Committee (JMMC) will meet on Monday to discuss the current market environment and outlook. We believe the group will recommend that OPEC+ stick to current supply cuts. The group would have taken comfort in the market appearing to have stabilised following the turmoil seen in financial markets over March.

Metals – LME proposes changes to nickel contract

The LME has proposed changes to its nickel operations, including making more forms of nickel deliverable and launching a new spot nickel market in China, in order to strengthen trading after a historic squeeze in March last year. The exchange is planning to implement the reforms over the next two years.

In order to increase the amount of class I nickel material eligible for delivery, the LME plans to expand forms of nickel that can be delivered against its contracts to include coarse nickel powder, which is favored in the production of batteries as it can be readily converted into nickel sulphate.

The bourse is also introducing a fast-track listing approach and fee waiver for new LME nickel brands with the aim of bringing more stock and liquidity to the contract.

The exchange also plans to open a new spot market for nickel sulphate and nickel matte in China as an alternative pricing solution aimed specifically at the rapidly expanding class II nickel market. The LME will work with the Qianhai Mercantile Exchange (QME), which is owned by the LME's parent, Hong Kong Exchanges and Clearing, to develop a China-based spot market offering for the two products in order to support these trade flows in Asia. The LME also said it remains open to introducing class II contracts to complement LME nickel as the underlying markets evolve. The LME nickel contract currently accepts full plate and cut cathodes, pellets, briquettes and rounds.

Other key measures proposed include making daily price limits permanent, with revised limits for copper and aluminium set at 12% per day and introducing a monthly report on stocks stored off-exchange in LME-licensed warehouses that are eligible for delivery. It also plans further initiatives on reporting of over-the-counter positions and trade reporting and increasing liquidity on its electronic platform.

Agriculture – EU sees recovery in 2023/24 corn output

In its latest Cereals Market Situation report, the European Commission forecasts that EU wheat production will grow 4% YoY to total 138.35mt in 2023/24. Export volumes over the upcoming season are expected to remain unchanged YoY at 32.9mt. As a result, 2023/24 wheat ending stocks are forecast at 19.79mt, up from an estimated 16.35mt in 2022/23. EU corn output is expected to recover in 2023/24 to total just under 65mt, up from 52.05mt in the current season. This increase is on the back of expectations of improved yields. Given higher domestic output, EU

corn imports are forecast to total around 18mt in 2023/24, down from an estimated 23mt in 2022/23. 2023/24 ending stocks are forecast at 21.9mt, up from 18.55mt in the current season.

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.