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.

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