The Commodities Feed: No change to OPEC+ policy

Oil prices edged higher after the JMMC recommended no change to OPEC+ output policy. Meanwhile gold has hit new record levels, breaking above US$2,300/oz

Oil prices have sold off aggressively

Source: Shutterstock

Energy – JMMC recommends no change to OPEC+ cuts

Oil prices continue to edge higher, although Brent is facing some resistance at the US$90/bbl level, with it unable to break above it so far. Meanwhile, the market is also moving into overbought territory.

OPEC+ held its Joint Ministerial Monitoring Committee (JMMC) meeting yesterday and as widely expected the committee recommended no change to the group's output policy for the remainder of the quarter, which will keep the market in deficit through the second quarter and support prices. The meeting appears to have focused on compliance with supply cuts, with members who have overproduced in the first quarter of the year set to submit compensation plans by the end of April. The next JMMC meeting will be held on 1 June.

The latest inventory report from the EIA shows that US commercial crude oil inventories increased by an unexpected 3.21m barrels over the last week. API numbers earlier in the week showed that crude oil inventories fell by 2.29m barrels. The increase reported by the EIA seems to be driven by lower crude exports, which fell by 159k b/d week-on-week, while refinery run rates were also marginally lower over the week. While crude stock changes were bearish, the report was more constructive when looking at refined products, where we saw stock draws and stronger implied demand. Gasoline inventories fell by 4.26m barrels over the week, which leave total US gasoline inventories at 227.8m barrels – below the 5-year average of around 235m barrels. The fall in gasoline stocks was driven by the East Coast, where they fell by 3.43m barrels, leaving stocks in the region almost 9% below the 5-year average. Tightening gasoline stocks going into the summer driving season suggests that gasoline cracks are likely to remain firm.

The US Department of Energy (DoE) decided not to go ahead with its latest tender to buy up to 3m barrels of crude oil for the Strategic Petroleum Reserve. The planned purchase was announced in mid-March for August and September deliveries. Current market conditions would have made the DoE reconsider the purchase, given the rally we have seen in the market.

Metals – Zinc smelting charges fall on tighter supply

Tight concentrate supply and rising competition for mined ores have pushed zinc smelting charges lower. According to media reports, Korea Zinc, in an annual deal with Canada's Teck Resources Ltd, has agreed to a 40% decline in zinc smelting fees. Teck has signed to supply smelters with zinc concentrates from its Red Dog mine in Alaska, with processing fees set at $165/t, down from $274/t seen last year. This is the lowest level since 2021. Teck's deals serve as a benchmark for the rest of the industry and a sharp decline in processing charges could put a strain on the profit margins of zinc smelters globally.

SHFE weekly inventories for all base metals rose over the last week, according to the latest data from the exchange. Copper stocks increased by 1,621 tonnes to 291,849 tonnes, the highest since April 2020. Meanwhile, aluminium inventories rose by 2,634 tonnes (+1.2% WoW) to 219,474 tonnes (the highest since May 2023), while nickel and lead stocks increased by 8.2% WoW and 5.2% WoW respectively.

The latest LME COTR report shows that investors increased their net bullish position for copper by 7,891 lots to 88,426 lots for the week ending 29 March – this is the seventh consecutive week of increases amid expectations of potential output cuts in China. A similar move has been seen in aluminium, with speculators increasing their net bullish bets by 1,587 lots to 124,487 lots over the last reporting week.

Gold prices hit yet another record high yesterday with spot gold breaking above $2,300/oz for the first time. The strength in the market came after the US ISM services index came in lower than expected, whilst comments from Fed Chair Jerome Powell stating that recent strong macro data does not materially change the overall picture when it comes to monetary policy, would have also helped. The market is still largely of the expectation that the Fed will start cutting interest rates in June. However, these expectations may change after tomorrow's US jobs report.

Agriculture – Thailand's sugar output beats forecasts

Recent data from Thailand's Office of the Cane and Sugar Board shows that sugar production in Thailand rose to 8.75mt so far in the 2023/24 season, higher than the previous forecast of 7.5mt – although output is still down significantly from the 11mt produced in 2022/23 due to dry weather conditions. The agency reported that all millers (except two) in the country had completed sugarcane crushing for the season.

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