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COMMODITIES DAILY UNITED STATES

The Commodities Feed: Oil falls amid signs OPEC+ may bring supply back quicker than expected

Oil prices are under additional pressure amid reports OPEC+ is considering bringing supply back onto the market at a quicker-than-expected pace

Energy – OPEC+ noise continues to grow

Oil prices extended losses yesterday after reports that OPEC+ may be bringing supply back onto the market at a quicker-than-expected pace. The group is currently unwinding its voluntary supply cuts of 1.66m b/d, which were planned to be brought back gradually at 137k b/d per month. There are now reports that it may go with three monthly supply hikes of around 500k b/d each. If true, this will increase the scale of the surplus through the fourth quarter of this year and next year. The market should get more clarity on 5 October, when the group decides on output levels for November.

Numbers overnight from the American Petroleum Institute were somewhat supportive for crude oil and bearish for refined products. US crude oil inventories are reported to have fallen by 3.7m barrels over the last week, while Cushing crude oil stocks fell by 693k barrels. Gasoline and distillate inventories increased by 1.3m barrels and 3m barrels, respectively. The more widely followed inventory report from the Energy Information Administration will be released later today.

Middle distillate cracks remain well-supported amid concerns over market tightness. However, gasoil stocks in the Amsterdam-Rotterdam-Antwerp (ARA) region continue to recover, hitting their highest level since May. Russia's diesel export ban for resellers should have a limited impact on flows. Yet the move doesn't help sentiment in a market already concerned about tightness. It could also open the door for further restrictions on middle distillate exports at a later stage.

Metals – China iron ore restrictions

Iron ore prices had a choppy session yesterday after Bloomberg reported that China's state-run iron ore buyer told steel mills to temporarily stop purchasing all new iron ore cargoes from miner BHP amid a pricing dispute. This is an escalation from earlier in September, when the state-run trader told mills to stop buying BHP's Jimblebar blend.

The latest data from the National Statistics Institute of Chile shows that domestic copper output dropped by 10% year-on-year (-4.9% month-on-month) to 423.6kt in August, following an accident that halted mining and smelting activities at Codelco's El Teniente mine towards the end of July. This was the largest annual drop reported over a two-year period. It is estimated that Codelco reported losses of ~33kt of copper due to the incident, while also trimming its 2025 output guidance. However, cumulative copper output over the first eight months of the year is still up 1% YoY to total 3.5mt.

Agriculture– Cocoa prices slump on fresh supply prospects

Cocoa prices came under additional pressure yesterday, with London cocoa falling almost 2.5% and reaching its lowest levels since February 2024. Attention in the cocoa market is shifting to the 2025/26 season. Expectations are that the market will experience another surplus in the new marketing year, alleviating concerns about tightness that have plagued the cocoa market in recent years.

The latest estimates from the Buenos Aires Grain Exchange show that the Argentina soybean crop could fall by 3.6% YoY to 48.5mt for the 2025/26 season. The downward revision in production estimates is largely attributed to lower area. In contrast, corn production could rise by 18.4% YoY to 58mt, on higher acreage estimates of 7.8m hectares (+9.9% YoY). Similarly, wheat production is expected to be around 22mt, up 18.3% YoY.

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