The Commodities Feed: Oil holds onto gains

The oil market continues to hold onto gains following the surprise supply cut announcement from a number of OPEC+ producers. These cuts should see the market tighten for the remainder of the year, pushing prices higher

Oil prices have sold off aggressively

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Energy - Oil holds onto gains after OPEC+ supply cut shock

The oil market has managed to hold onto yesterday's gains after nine OPEC+ members announced surprise supply cuts over the weekend, amounting to 1.66m b/d. 500k b/d of these cuts are existing cuts from Russia, which were set to end in June and which have now been extended through until the end of the year. This leaves 1.16m b/d of cuts from other producers and, given that most of these producers are producing at or near their current production targets, suggests that actual cuts will be fairly similar to those announced . We had already expected the oil market to tighten over 2H23 and these cuts mean that the oil market will be even tighter for the remainder of the year. As a result, we now expect oil prices to trade above US$100/bbl over the second half of the year. The OPEC+ JMMC meeting yesterday was a non-event, with it confirming the cuts that were announced over the weekend. The OPEC press release re-emphasized the Saudi comment that the additional cuts announced over the weekend were a "precautionary measure aimed at supporting the stability of the oil market."

Metals – Copper cash/3m spread tightens

The LME copper cash/3m spread traded out to an intraday higher of US$21/t backwardation yesterday, the highest levels seen since November. The strength in this spread has coincided with LME inventories trending lower since mid-March, re-igniting concerns over a tightening market. Chile, the top copper producer, reported that its February copper production fell to its lowest in six years. Chile accounts for a quarter of the world's mined copper.

In aluminium, LME on-warrant stockpiles fell by 7,025 tonnes for a second consecutive session to 419,800 tonnes on Monday, the biggest fall since 10 February, according to the latest data from the exchange. Most of the outflows were reported from warehouses in Singapore. Net outflows for March totalled 16,850 tonnes.

Agriculture – Soybean gains on planting outlook and lower stocks

CBOT soybean traded higher yesterday, following the USDA's recent prospective plantings report, which showed that soybean planting estimates were largely unchanged year on year at 87.5m acres, lower than market expectation of 88.3m acres. Further supporting the market was the quarterly grains stocks report which saw soybean stocks fall to 1.69bn bushels as of 1 March, down 13% YoY and lower than the market expectations of 1.73bn bushels.

The USDA's first weekly crop progress report for the season showed that the US winter wheat crop condition was poor for this point in the season due to severe drought in major producing regions. The agency rated around 28% of the winter wheat crop in good-to-excellent condition, compared to around 30% a year ago. The USDA also reported that domestic corn plantings have started at the usual pace, with around 2% planted for the week ending 2 April.

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