The Commodities Feed: Oil under pressure amid noise over more OPEC+ supply hikes

Oil prices came under pressure as noise grows around the potential for further supply increases from OPEC+, while US government shutdown fears provide a further boost to precious metals

Energy - OPEC+ supply increases

Oil prices came under significant pressure yesterday, with ICE Brent falling more than 3% over the day. This came amid reports that OPEC+ is considering increasing supply by a further 137k b/d in November. We should get confirmation on 5 October, when the group is set to meet. Our balance sheet clearly suggests additional supply isn't needed. We expect the market to move into a large surplus in the fourth quarter and remain in surplus through 2026. As a result, we expected oil prices to come under significant pressure over the course of next year.

While the general view is that supply increases from OPEC+ are an attempt to regain market share, the front end of the curve remaining in backwardation will give the group comfort that the market can handle additional supply. As we move into the surplus environment, though, timespreads should come under further pressure.

European natural gas prices also weakened yesterday, with the Title Transfer Facility (TTF) front-month contract settling 1.7% lower on the day. This weakness comes despite some unplanned outages at the Nyhamna processing plant and Troll field in Norway. Instead, the market appears focused on continued weakness in Asian LNG demand, specifically from China. Weaker Chinese LNG demand is expected to help alleviate supply concerns for Europe as the winter period approaches. EU LNG send-outs have been trending higher through much of September, after a somewhat weak August. EU gas storage stands just shy of 83% full, down from 94% at the same stage last year, and below the 5-year average of 89%.

Metals – Gold breaks above $3,800 for the first time

Gold rose above $3,800/oz for the very first time. Silver also surged to its highest level since May 2011 yesterday. The rally was driven by a weaker USD following a crucial meeting between President Donald Trump and top Congressional leaders one day before a potential US government shutdown. A failure to pass a short-term funding bill could delay the release of key economic data. This includes Friday's job data, which is expected to show subdued employment growth. Concerns over the Federal Reserve's independence remain a focus of the gold market. Gold has increased by nearly 45% this year, supported by central bank purchases, the resumption of interest rate cuts, inflows into ETF holdings, and geopolitical tensions.

Recent reports suggest that China cut its annual capacity growth target for key non-ferrous metals to just 1.5% for this year, down from the previous 5% pace. This was largely driven by a decision to cut annual output targets for these metals over 2025 and 2026, following a year of oversupply that led to periodic gluts and squeezed profits. China is now shifting its focus from volume expansion to efficiency and sustainability, emphasising recycling, high-end products, and low-carbon development.

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