

The Commodities Feed: Oil whipsawed

A stronger USD weighed on most of the commodities complex yesterday. The oil market also saw significant volatility after reports that OPEC+ is looking to increase supply at its next meeting. These reports were later denied by Saudi Arabia



Source: Shutterstock

Energy - OPEC+ noise starts already

Oil prices were whipsawed yesterday with ICE Brent trading in almost a US\$6/bbl range. The catalyst for the increased volatility was a report from the WSJ suggesting that OPEC+ is looking to possibly increase output by as much as 500Mbbbls/d when the group next meets on 4 December. However, this report was quickly denied by the Saudis, and this led the market to recoup most of its losses. It would be an odd move from OPEC+ to increase supply when there is still so much demand uncertainty, and while there is still so little clarity on what the full impact of the EU ban on Russian oil will be. We believe it is unlikely that the group makes any further changes to its deal after reducing production targets by 2MMbbbls/d at their meeting in October. If we are to see changes, this would likely only be next year when there is more clarity on Russian supply.

Russia's Deputy Prime Minister, Alexander Novak, has once again made it clear that Russia will not supply crude oil or refined products to countries which follow the G-7 price cap. Instead, oil will either be redirected to those nations who choose to ignore the price cap or Russian output will be

reduced. It is expected that the market will receive more clarity on the G-7 price cap this week, including the level at which the group plans to set the cap.

Metals – China Covid concerns push metals lower

LME metal prices fell on Monday as concern over China's potential reopening amid a rise in Covid-19 cases weighed on sentiment. Beijing reported three Covid deaths over the weekend as cases rose, fuelling concerns that tougher restrictions in the capital might return once again. A stronger dollar added to the downbeat mood. LME copper prices dropped by around 2.4%, while LME aluminium prices were also down by around 2.1%.

A monthly survey from Mysteel showed that Chinese stainless steel production could drop by around 5% MoM in November as higher nickel prices weigh on the profitability of mills. While LME nickel prices have increased by around 15% in the current month, China's stainless steel prices have been largely flat due to soft demand for end-products. Rising Covid-19 cases and threats of lockdowns are likely to further weigh on operating rates over the coming weeks and keep nickel demand under pressure.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.