The Commodities Feed: OPEC+ agrees to extend output cuts

OPEC+ agreed to extend current supply curbs to the end of the second quarter, largely in line with market expectations, in order to avoid surplus and boost prices

Energy – OPEC+ extends oil output cuts

ICE Brent traded little changed at $83.5/bbl in the morning trading session as OPEC+ members agreed to extend their voluntary 2.2MMbbls/d oil output reduction through the end of June, largely in line with market expectations. Saudi Arabia will continue to dominate the pledged output reduction share at 1MMbbls/d, while Russia promised to focus more on oil output cuts rather than exports. The group further added that "these voluntary cuts will be returned gradually subject to market conditions."

Meanwhile, preliminary OPEC production numbers for February are starting to come through and suggest that oil output increased slightly as Libya resumes oil production at its biggest field, while some producers pumped more than the agreed oil output cut limits for the month. According to a Bloomberg survey, OPEC output rose by 0.1MMbbls/d month-on-month to 26.7MMbbls/d last month. Libya led the gains with its production rising by 120Mbbls (+11.2% MoM) to 1.14MMbbls/d as it resumed its Sahara oil field, which was closed earlier due to protests this year. This was followed by Nigeria with oil output rising by 2% MoM to 1.52MMbbls/d. Meanwhile, Iraq and UAE together produced almost 400Mbbls/d above their agreed oil output limits in February.

Weekly data from Baker Hughes shows that the US oil rigs rose by three rigs over the last week, with the total oil rig count increasing to 506 for the week ended 1 March 2024, the highest rig count since the week ending on 22 September 2023. Gas rigs fell by 1, taking the total rig count (oil & and gas combined) to 629 over the reporting week. The continued volatility in the gas prices appears to weigh on gas rigs with some of the exploration companies reducing investments for natural gas production.

The latest positioning data from CFTC shows that speculators increased their net long position in NYMEX WTI by 40,580 lots for a third consecutive week, leaving them with net longs of 174,730 lots as of 27 February 2024, the highest bullish bets since the week ending on 24 October 2023. The ongoing uncertainty in the Middle East and concerns over tightening supply are currently supporting the uptrend in speculative bets. Surprisingly, money managers continued to decrease their net longs in ICE Brent by 17,488 lots for a second straight week over the last week, leaving them with a net long position of 254,781 lots as of last Tuesday. The move was dominated by falling gross long positions which decreased by 11,434 lots to 330,606 lots over the reporting week.

Metals – Chinese metals exchange inventories rise

Data from the Shanghai Futures Exchange (ShFE) shows that weekly inventories for all base metals continued to rise over the last week amid weak consumption after the week-long holiday during early February. Copper weekly stocks jumped by 33,164 tonnes (+18.3% WoW) for the ninth consecutive week to 214,487 tonnes as of Friday, the highest since the week ending on 10 March 2023. Among other metals, aluminium and zinc inventories rose by over 10% WoW each to 190,979 tonnes and 97,610 tonnes respectively. Meanwhile, nickel and lead stocks increased by 4.5% WoW and 5.5% WoW respectively at the end of last week.

The latest CFTC data shows that speculators moved to net long positions in COMEX copper, as long positions outnumbered short positions by 4,367 lots for the week ending on 27 February 2024, after remaining in net short for seven consecutive weeks. The move was fueled by falling gross short positions by 22,711 lots to 50,147 lots over the reporting week. Moving to precious metals, speculators increased their net longs in COMEX gold by 3,694 for a second consecutive week, leaving them with a net long of 68,042 lots, and flipped to net bearish bets in silver as net shorts outnumbered longs by 4,143 lots as of last Tuesday.

Agriculture – Speculative net bearish bets for CBOT soybean increase

The latest CFTC data show that money managers increased their net bearish bets in CBOT soybeans by 23,976 lots for the fiftteenth straight week to 160,653 lots as of 27 February, the most bearish bets since May 2019. The rise was led by an increase in gross shorts by 20,576 lots, taking the total to 208,870 lots. In contrast, speculators decreased their net bearish bets for CBOT corn by 45,474 lots (after reporting gains for eight consecutive weeks) to 295,258 lots, the least bearish bets since 30 January. The move was predominantly driven by a decline in gross shorts by 35,440 lots. Similarly, speculators decreased their net bearish bets for CBOT wheat by 12,198 lots to 56,326 lots. The move was fuelled by an increase in gross longs and a decline in gross shorts by 4,095 lots and 8,103 lots respectively.

Meanwhile, speculators continue to reduce their bullish bets in cocoa despite prices moving higher amid market expectations for a supply deficit this year. Money manager decreased their net bullish bets in ICE cocoa by 10,445 lots for a fifth consecutive week to 32,328 lots (the least bullish since March 2023) over the last reporting week following the decline in gross shorts by 12,846 lots.

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