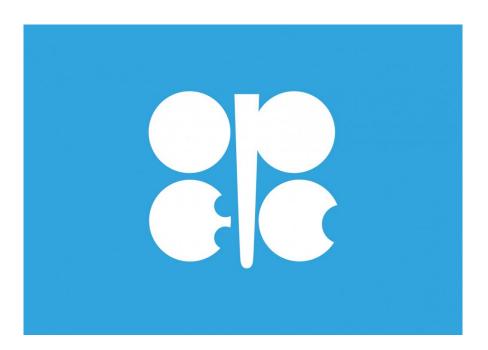


Article | 6 September 2024

# The Commodities Feed: OPEC+ delays planned supply increase

OPEC+ pushed back plans to increase supply by two months. However, the oil market appears underwhelmed by the steps taken



# Energy – OPEC+ delays supply increase

It was no surprise given the recent pressure on the oil market that OPEC+ members yesterday decided to delay plans to phase out their additional voluntary cuts. Members were set to bring 180k b/d of supply onto the market in October and a similar amount in November. Instead, plans to increase supply have been pushed back by two months. Therefore members are now scheduled to gradually bring back 2.2m b/d from December 2024 through until November 2025.

Markets appear to be underwhelmed with the move. ICE Brent settled basically flat yesterday. Clearly sentiment is still negative given worries over demand. OPEC+ is likely hoping that sentiment turns more positive over the course of the next two months, allowing them to start bringing supply back to the market. However, the issue is that the oil balance is in surplus over 2025, suggesting that prices are likely to remain under pressure without OPEC+ taking longer term action. There could also be an element where OPEC+ is waiting for the outcome of the US election. A Trump victory could mean that the US takes a more hawkish view against Iran once again and so stricter enforcement of oil sanctions. This could potentially see as much as 1.3m b/d of Iranian supply

impacted, which would allow other OPEC+ members to unwind their additional voluntary cuts.

Yesterday's delayed EIA inventory report was fairly constructive. US commercial crude oil inventories fell by 6.87m barrels over the last week, while crude stocks in Cushing declined by 1.14m barrels. The draw was largely driven by lower crude imports, which fell 768k b/d WoW. Refined product stock changes were less supportive. Gasoline inventories increased by 848k barrels driven by weaker demand, as we move towards the end of the driving season. Implied gasoline demand fell by 369k b/d over the week. Meanwhile, distillate stocks dropped by 371k barrels.

In the US, Henry Hub natural gas rallied by a little more than 5% yesterday after US natural gas storage increased less than expected. EIA weekly data shows that US gas storage increased by 13Bcf last week, which was less than the 27Bcf increase the market was expecting and also well below the 5-year average increase of 51Bcf. Total gas storage is still 6.6% higher than year-ago levels and also 10.7% above the 5-year average. However, the gap has been narrowing over much of the injection season.

### Metals – Iron ore tumbles on demand worries

Iron ore fell for a fourth consecutive session yesterday to trade just above \$90/t, its lowest level since 2022. Iron ore is one of the worst-performing commodities so far this year with prices now down about 33% year-to-date as the outlook for steel demand in China continues to deteriorate. Iron ore is among the most vulnerable to China slowdown risks with China's property market constituting the bulk of steel demand. Looking ahead to the rest of the year, fundamentals are still pointing to the downside for iron ore. Meanwhile, iron ore port holdings in China continue to rise, back above 150 million tonnes and standing at its highest ever for the time of year, in a sign of abundant seaborne supplies. We expect iron ore prices to fall further this year amid subdued demand and sufficient supply. Downside risks are likely to prevail in the near term amid subdued steel demand.

#### **Authors**

#### **Warren Patterson**

Head of Commodities Strategy <u>Warren.Patterson@asia.ing.com</u>

## **Ewa Manthey**

Commodities Strategist <a href="mailto:ewa.manthey@ing.com">ewa.manthey@ing.com</a>

#### 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.