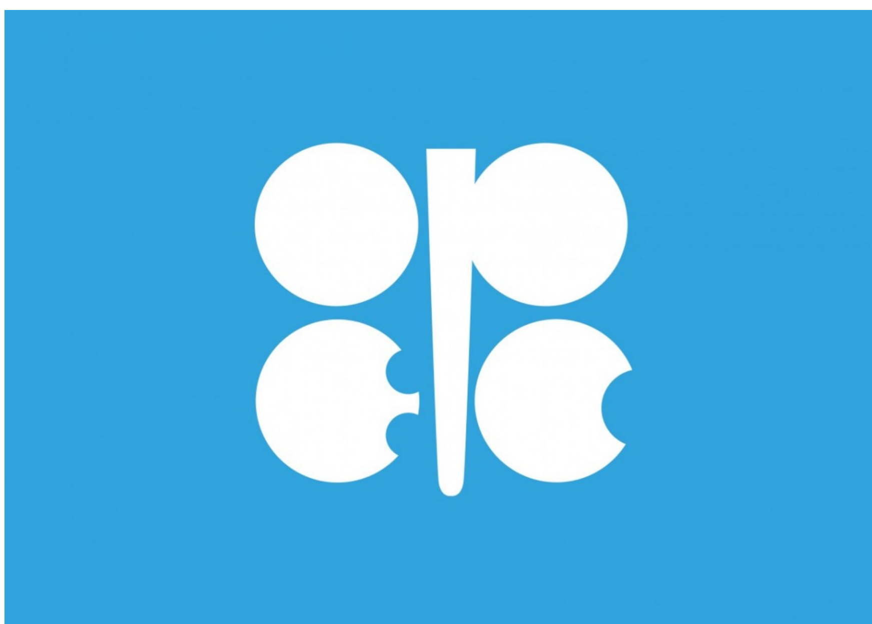
The Commodities Feed: OPEC+ delays planned supply increase

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.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

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