

The Commodities Feed: OPEC+ delays supply increase

Oil prices are trading stronger this morning after OPEC+ members delayed a supply increase by another month



Source: Shutterstock

Energy - OPEC supply increase delayed

Oil prices are trading stronger this morning with ICE Brent up around 1.5% at the time of writing after a handful of OPEC+ members over the weekend decided to delay a supply increase by one month. Members were set to gradually unwind their additional voluntary supply cuts of 2.2m b/d from 1 December, translating to a monthly supply increase of around 180k b/d for 12 months. While the delay until January does not change fundamentals significantly, it does potentially leave the market having to rethink the strategy of OPEC+. There had been reports in recent weeks that Saudi Arabia was unhappy about giving away market share and also not pleased by the lack of compliance by some OPEC+ members. This led to suggestions that the group would likely go ahead with supply increases despite the recent weakness in prices. This was also a view that we held. However, this delayed supply increase means that maybe the group are more willing to support prices than many believe. However, our balance continues to show that the market will be in surplus through 2025 unless OPEC+ continues with cuts through next year.

Preliminary October production numbers for OPEC are starting to come through. According to a

Bloomberg survey, the group's output increased by 370k b/d MoM to 26.9m b/d. This increase was driven by the return of supply from Libya, where output increased by 500k b/d MoM. Meanwhile, Iraqi output fell by 90k b/d MoM to 4.13m b/d, though this still leaves output above Iraq's production target of 4m b/d.

The latest positioning data shows that speculators reduced their net long in ICE Brent by 40,674 lots over the last reporting week to 93,907 lots as of last Tuesday. The move was largely driven by longs liquidating as they took the view that Israel's targeted response to Iran opened the door for de-escalation.

European natural gas prices came under pressure on Friday. TTF settled 3.48% lower on the day after reports that European buyers could be moving towards a deal with Azerbaijan which would see gas continuing to transit through Ukraine into the EU after the Russia-Ukraine transit deal expires at the end of this year. The market has been concerned that the expiry of this deal would lead to the EU losing around 15bcm of gas supply annually.

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>.