The Commodities Feed: OPEC+ delays supply increase

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

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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