

The Commodities Feed: OPEC+ leaning towards unwinding cuts

Oil prices are weaker on expectations that OPEC+ will stick to its plan to gradually increase supply, while demand is still a concern after China's latest PMI data



Source: iStock

Energy – OPEC+ cuts

Oil prices came under pressure on Friday. The ICE Brent Nov-24 contract settled 2.4% lower on the day. The catalyst for the move appears to be reports that OPEC+ members are leaning towards sticking to their plan and gradually unwinding cuts from October. Given lingering demand concerns there had been a growing part of the market, including ourselves, who thought the group would delay any supply increases. The group may believe that supply disruptions from Libya provide an opportunity to increase supply.

Libyan supply disruptions continue. However, while output has been cut further in some fields, others are seeing production being restored. Three oil fields, including Sarir, Messla and Nafoura are restarting output. It is not clear whether the resumption of operations at these fields signals progress in negotiations between Libya's Western and Eastern governments. However, there are some suggestions that the restarting of these fields is to meet domestic demand rather

than exports.

Bearish sentiment in the oil market has continued in early morning trading today. [Chinese PMI data released over the weekend have raised further concern over demand](#). China's manufacturing PMI came in at 49.1 for August, below the consensus of 49.5 and also the fourth consecutive month of contraction in manufacturing activity.

The latest positioning data shows that speculators increased their net long in ICE Brent by 18,875 lots over the last reporting week, leaving them with a net long of 80,072 lots as of last Tuesday. The move was driven predominantly by fresh longs. However, speculative positioning in the oil market remains fairly limited due to demand concerns and the uncertainty over OPEC+ policy.

European gas prices remain well supported, rallying towards EUR40/MWh on Friday. This strength comes as scheduled maintenance in Norway ramps up, reducing supply to Europe. Daily Norwegian gas flows have fallen from close to 350mcm/day in early August to a little over 235mcm/day currently. These flows are likely to fall further with maintenance at Troll expected to start this week. While this maintenance is scheduled, the market is nervous about any potential overruns. Despite these lower flows from Norway, European gas storage continues to tick higher. GIE data shows that storage is more than 92% full, above the 5-year average of 85% and largely in line with levels seen at the same stage last year.

Metals – China's copper exchange stocks drop

Weekly data from the Shanghai Futures Exchange (ShFE) show that copper stocks fell by 9,317 tonnes (-3.7% week-on-week) for an eighth consecutive week to 241,745 tonnes (the lowest since the week ending on 8 March 2024) as of last Friday. In other metals, weekly exchange inventories for zinc, and aluminium fell marginally by 1%, and 0.5% respectively. In contrast, lead inventories reported inflows of 2,172 tonnes (+9.2% WoW) to 25,851 tonnes at the end of last week.

Data from the Chilean copper commission Cochilco shows that copper output in Chile rose 2% YoY to 433.6kt in July. Cumulatively, output increased 2.4% YoY to 3.04mt in the first seven months of the year. However, production fell 2% month-on-month due to recent mining disruptions.

Agriculture – ISO forecasts sugar deficit to grow in 2024/25

The International Sugar Organization (ISO) expects the global sugar balance to remain in a supply deficit of 3.6mt in 2024/25 primarily due to lower output. Total sugar output is expected to decline from 181.3mt in 2023/24 to 179.3mt, while consumption is forecast at 182.9mt. The group expects sugar production in CS Brazil to remain healthy in 2024/25. The ISO also cut its 2023/24 sugar deficit estimates significantly from 3mt to just 200kt.

Recent reports suggest that India has lifted restrictions on sugar mills and distillers using cane juice to make ethanol (starting from November 2024). The move will help the government's target of 20% ethanol blend in gasoline. This could prolong India's sugar export curbs, keeping the global market tight.

The latest CFTC data shows that speculators covered a large portion of their short in No.11 raw sugar. Speculators bought 42,389 lots over the last reporting week, which saw them flip from a net short to a net long of 15,375 lots. The move was largely driven by short covering. This move comes after growing concerns in CS Brazil over the impact fires and dry weather will have on the current

sugarcane harvest.

Author

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 www.ing.com.