# The Commodities Feed: OPEC+ meet this week

Oil prices have started the week on a strong footing, with expectations that OPEC+ will announce a large supply cut when they meet on Wednesday. In addition, the European gas market is facing fresh supply disruptions due to Russia making further cuts in gas flows

## Energy- OPEC+ looking to cut output

OPEC+ will meet in person on Wednesday to discuss output policy for November. And growing noise around what the group will do is pushing oil prices higher at the moment. There are growing expectations that the group will announce a large cut, with suggestions OPEC+ could agree on a reduction of more than 1MMbbls/d. This would be the biggest output cut seen from the group since the peak of Covid. However, if the group were to announce a reduction of around 1MMbbls/d, it is important to remember that the group is already producing well below their production targets and so the actual cut would likely be much smaller. There are only a handful of producers who are hitting their production targets and so it is likely that only these producers would have to make a cut. According to IEA numbers, OPEC+ output in August was 3.37MMbbls/d below target output.

According to reports, Chinese consultant JLC has said that 15mt of refined product export quotas have been released to refiners. 13.25mt of quotas can apparently be used for clean product exports, whilst the remaining 1.75mt is for low sulfur fuel oil. In addition, it seems as though unused quotas will be able to be rolled over into the first quarter of next year. There has been plenty of market talk about Chinese refined export quotas but still no official confirmation from the government.

There have been further European gas supply disruptions over the weekend. Gazprom has halted gas flows to Italy which come via Austria. Gazprom has blamed the stoppage on regulatory changes from Austria and stated that the grid operator did not confirm transport nominations. The Austrian government has said that Gazprom has not signed necessary contracts. Involved parties are apparently looking to fix the issue. In addition, Gazprom is also cutting gas flows to Moldova by 30%, blaming the reduction on Ukraine's force majeure for gas transit through the Sokhranivka entry point. Furthermore, Gazprom has said that it has the right to terminate the current supply contract for Moldova at any time given that an agreement on the settlement of historic debts has not been reached.

## Metals – zinc inventory withdrawals continue

Both LME and SHFE zinc have continued to see large inventory withdrawals over the past few weeks. SHFE zinc stocks dropped by nearly 18.1kt over the last week to 37.7kt, whilst stocks over the third quarter have declined by nearly 100kt, reflecting some tightness in the physical market. Meanwhile, LME zinc stocks also fell by around 7.9kt over the last week to 53.6kt- the lowest levels in more than two years. These LME inventory declines have proved supportive for time spreads with the cash/3M spread spiking to a backwardation of US$46.25/t on Friday.

Speculators increased their net bearish position in COMEX gold by another 8,334 lots over the last week, pushing their net short position to a fresh 3-year high of 41,300 lots as of 27 September. Meanwhile, investors also continued to liquidate their gold holdings with the total known ETF holdings falling by another 1.1m oz over the last week. ETF gold holdings have dropped by around 2.8m oz over September and around 7.3m oz over the third quarter. Investor demand for gold has dropped significantly over the last few months due to rising interest rates; however physical demand from both central banks and retail consumers continues to be healthy.

## Agriculture – USDA reports tighter corn stocks

In its quarterly grains stocks report, the USDA reported US corn inventory stood at around 1.38b bushels as of 1 September; while this is higher than year ago levels of 1.24b bushels, the market was expecting an even higher number of around 1.5b bushels. The agency also reported that soybean inventories stood at around 274m bushels, which was above market expectation of around 243m bushels. As for wheat, the USDA estimated stocks at around 1.78b bushels, marginally lower than the 1.79b bushels that the market was expecting.

Speculative net longs in both CBOT soybean and corn dropped over the last week due to the pessimistic economic environment. CFTC data shows that managed money net longs in CBOT soybean declined by 9,860 lots over the last week to 94,831 lots as of 27 September. Similarly, money managers trimmed their net long position in CBOT corn by 10,055 lots over the last week, leaving then to hold a net long of 237,854 lots.

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