The Commodities Feed: OPEC+ meeting

The oil market remains well supported on the back of solid fundamentals. However, the OPEC+ JMMC will meet this week and the group will review current market conditions

The market is expected to be in peak surplus through the first quarter of 2026, so a pause makes sense, though its size remains uncertain

Energy - OPEC+ JMMC meeting

The oil market remains well supported with the ICE Brent November contract expiring on Friday at US$95.31/bbl, which saw the oil market finishing the third quarter up a little more than 27% - its strongest performance since the first quarter of 2022. Fundamentally, there is still further upside with the market set to continue to tighten. Technically, following the expiry of the November contract on Friday, there is a gap left that the December contract will need to fill. This suggests that we should at some point see the December contract (which is currently trading around US$92.45/bbl) trading up above US$95/bbl.

The latest positioning data shows that speculators reduced their net long in ICE Brent by 21,989 lots over the last reporting week to 243,542 lots. This was predominantly driven by fresh shorts. There were also some longs liquidated, suggesting that speculators believe the rally in the oil market has largely run out of steam. However, there was more speculative buying in NYMEX WTI with speculators increasing their net long by 20,123 lots to 314,519 lots. In addition, speculators also increased their spreading position by 49,525 to 478,407 lots. The tightening in US crude oil inventories, specifically at the WTI delivery hub, Cushing appears to have attracted speculators to the market, and in particular to the nearby timespreads.

For the oil market this week, there will be plenty of attention paid to the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting on Wednesday. The market will be eager to see if there are any signs of a change in the group's output policy, given the recent strength in the market. We do not believe that the group will change its output policy. However, what is possible (and a JMMC meeting is not needed for this), is Saudi Arabia starting to ease its additional voluntary supply cut of 1MMbbls/d. The Saudis have said that there is still concern over Chinese demand. However, PMI data out over the weekend will provide some confidence with China's manufacturing PMI returning to expansion territory in September for the first time since March, whilst the non-manufacturing PMI remained in expansion territory over the month.

Metals – LME aluminium spreads strengthen

The latest inventory data from the LME shows that aluminium on-warrant inventories fell sharply by 50,225 tonnes on Friday to 173,875 tonnes, while cancelled warrants increased by 46,000 tonnes to 312,175 tonnes. The tightening in available stocks saw 3m LME aluminium settle more than 3% higher on the day, while the cash/3M spread saw a significant narrowing in its contango - the spread has narrowed from US$29.21/t on Thursday to US$16.50/t on Friday.

The latest positioning data from the CFTC shows that managed-money net longs in COMEX gold decreased by 30,995 lots over the last week to 35,644 lots as of last Tuesday - the lowest since early March. The higher-for-longer narrative we have seen with regard to Fed monetary policy has weighed on sentiment for gold. This is also evident when looking at gold ETF holdings, which have seen eighteen consecutive weeks of declines.

Agriculture – USDA increases wheat stock estimates

In its recent quarterly grains inventory report, the USDA revised down 2022/23 US corn stock estimates to 1.36b bushels as of 1 September, lower than 1.38b bushels a year ago and below market expectations of around 1.44b bushels. In contrast, the USDA revised up wheat stock estimates to 1.78b bushels for the 2022/23 season, higher than expectations of around 1.77b bushels. This was in line with last year's level of 1.78b bushels. Similarly, the agency increased its soybean stock estimates to 268m bushels, higher than expectations of 244m bushels, but down from 274m bushels a year ago.

Recent numbers from Ukraine's Agriculture Ministry show that the domestic grain harvest so far this season rose 17% year-on-year to 30.5mt as of 29 September. The wheat harvest stood at 22.2mt (+16% YoY), while the corn harvest stood at 793.2kt.

The latest CFTC data shows that money managers increased their net bearish bets in CBOT corn by 23,791 lots, leaving them with a net short position of 168,606 lots as of last Tuesday. The move was predominantly driven by fresh selling, with the gross short increasing by 21,733 lots. CBOT wheat saw a marginal reduction in the speculative net short. Speculators decreased their bearish bets by just 421 lots to leave them with a net short of 96,384 lots. Meanwhile, speculators reduced their net long in CBOT soybeans by 15,774 lots to 30,058 lots.

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