The Commodities Feed: OPEC+ likely to scrap plans to increase supply

Oil continues to come under pressure and it is looking increasingly likely that OPEC+ will have to delay its plans of gradually increasing supply, otherwise expect further price weakness

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 – Complex remains under pressure

Oil closed lower for a fourth consecutive day. ICE Brent settled almost 1.5% lower yesterday, leaving it to close just above US$76/bbl - the weakest settlement since January. This weakness comes despite cease-fire talks between Israel and Hamas appearing to have stalled, while the EIA also published a fairly constructive weekly US inventory report. Worries over weaker demand continue to be the main driver for the market at the moment. The downward pressure on prices makes it increasingly likely that OPEC+ will have to scrap their plans for gradually increasing supply from October. Failing to do so, will likely put further pressure on prices.

The EIA's weekly report was fairly bullish. US commercial crude oil inventories fell by 4.65m barrels over the last week, more than the 2.2m barrel decline the market was expecting. This leaves crude inventories at 426m barrels, the lowest since January. The larger-than-expected draw was driven by stronger crude export volumes, which increased 289k b/d WoW and also by an increase in refinery run rates, with crude inputs growing 222k b/d over the week. Refined products also saw inventory declines. Gasoline and distillate stocks fell by 1.61m barrels and 3.31m barrels respectively. For gasoline, the draw would have been helped by stronger implied demand, which grew 148k b/d WoW, while for distillates, a 313k b/d increase in export volumes contributed to the larger stock decline. In fact, distillate exports hit a record level of 1.85m b/d over the week.

European natural gas prices also came under further pressure yesterday. TTF settled almost 2.5% lower on the day at just above EUR37/MWh- the lowest close since early August. The risk premium around Russian pipeline flows through Ukraine appears to be slowly eroding. And in the absence of any supply shocks, the European market looks very comfortable with storage more than 90% full. However, heavy maintenance in Norway in the coming weeks could keep the market nervous. Speculators remain firmly bullish towards the market. The latest positioning data shows that investment funds increased their net long by 32TWh over the last reporting week to almost 267TWh, leaving funds with a record net long. This leaves significant downside risk to the market, particularly if supply risks fail to translate to actual supply losses.

Apart from the usual weekly releases, there is little on the energy calendar for today. Oil product inventory data for the ARA region and Singapore will be released, while the EIA will release its weekly US natural gas storage report. The market expects storage to have grown by around 25bcf over the week, after a rare summer decline in the previous week.

Agriculture – Ghana cuts cocoa output estimates

The Ghana Cocoa Board trimmed its cocoa production estimates by 20% to 650kt for the 2024/25 season primarily due to unfavourable weather conditions. The hot and dry weather conditions have caused flowers and pods to dry up in the major producing regions of Ghana.

The latest data from Agriculture and Agri-Food Canada (AAFC) shows Canadian wheat production could rise by 7.5% YoY to 34.4mt for the 2024/25 season. The group estimates yields to rise to 3.24t/ha from 3t/ha, while harvest area is expected to decline from 10.68m hectares to 10.61m hectares for the 2024/25 season.

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