The Commodities Feed: OPEC+ noise set to increase this week

A trade deal between the US and EU proved positive for sentiment this morning in the oil market. However, attention will likely turn to OPEC+ output policy from September

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

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Energy- US drilling activity slows further

Oil prices are trading firmer this morning after the US and EU announced a trade deal, which will see most EU exports to the US facing a 15% tariff. The market worried that if talks had failed, 30% tariffs would come into effect on 1 August. That likely would've prompted retaliation from the EU. As part of the deal, the EU agreed to buy $750b worth of US energy over three years. The EU continues to move away from Russian natural gas, with a roadmap to end all Russian gas imports by the end of 2027. The EU was already set to lean more heavily on the US for its energy needs.

The latest data shows that speculators reduced their position in ICE Brent by 11,352 lots over the last reporting week, leaving them with a net long of 277,393 lots as of last Tuesday. However, in the middle distillate market, speculators continue to build long positions amid a tightening in the market. Speculators increased their net long in ICE gasoil by 8,012 lots to 98,180 lots, the largest position since June 2024.

The US oil rig count saw yet another week of declines, despite more stable prices in recent weeks. Baker Hughes data shows that the oil rig count fell by seven over the last week to 415, the lowest level since September 2021. Rig activity in the US has fallen for thirteen consecutive weeks, declining almost 13% over this period.

The oil market will face increased noise over the week around OPEC+ output policy. The group will decide on September output levels on 3 August. The group may feel emboldened to go with yet another large supply hike for September, given that prices are holding up relatively well despite supply increases already announced in recent months. We expect that OPEC+ will at least complete the full return of 2.2m b/d of the additional voluntary supply cuts by the end of September. This would work out to a supply hike in September of at least 280k b/d. However, there is clearly room for a more aggressive hike.

Metals – Gold edges lower

Gold prices declined for the third consecutive session. Spot prices dropped below US$3,330/oz on Friday amid the strength in the US dollar and Treasury yields. President Donald Trump downplayed tensions with Federal Reserve Chair Jerome Powell last week, easing concerns over the Fed's independence.

Meanwhile, US jobless claims fell for a sixth straight week, the longest streak since 2022. That pushed Treasury yields higher while weighing on non-yielding gold. The market is anticipating fewer than two rate cuts by the Fed this year, with the first cut expected in October.

In base metals, copper inventories on the Shanghai Futures Exchange fell 13% to 73,423 tonnes on Friday to the lowest level since December. The drawdown in inventories follows Chinese Customs data released earlier this month, which showed imports of refined copper jumped 15% in June from the previous month. In other metals, inventories of aluminium and zinc both increased, up 6.4% to 115,790 tonnes and 8.8% to 59,419 tonnes, respectively.

Agriculture– EU trims grain production estimates

In its latest cereals market situation report, the European Commission estimated that the bloc's grain production could fall to 278.4mt for the 2025/26 season, compared to its previous estimate of 282.9mt. This is largely driven by a decrease in corn production, falling from earlier estimates of 64.6mt to 60.1mt. This is due to a reduction in harvest area. Similarly, soft-wheat estimates were also revised down from 128.2mt to 127.3mt.

The latest data from Ukraine's Agriculture Ministry shows that farmers have harvested grain and legumes at a slower pace in 2025/26, reaching around 10.3mt as of 25 July, compared to 19mt (down 45% more than a year ago) in the same period last year. The decline in the grain harvest largely reflected a decrease in harvest area.

The latest CFTC data shows that money managers decreased their net short position in CBOT wheat by 8,446 lots to 52,041 lots as of 22 July. Similarly, the net speculative short position in

CBOT soybeans fell by 21,412 lots to 10,866 lots. The move was fueled by a drop in gross shorts. Meanwhile, speculators increased their net short in CBOT corn by a marginal 2,610 lots to 177,365 lots.

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