The Commodities Feed: Noise around OPEC+ production increases

Oil prices came under pressure yesterday, and in early morning trading today, amid increasing noise around OPEC+ production policy for July

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Energy – OPEC+ output policy

The oil market is under renewed pressure as noise builds around what OPEC+ will do with their July output levels. There are reports suggesting the group is considering another large supply increase, similar to those in May and June output. This would cement the shift in policy from the group -- moving from defending prices to defending market share. In our balance sheet, we assume that OPEC+ will go ahead with a 411k b/d supply increase for July. Therefore, our price forecasts will remain unchanged if an increase of this size is confirmed at the beginning of next month. We currently forecast Brent to average US$59/bbl in the fourth quarter. The front-month ICE Brent timespread has also come under pressure, falling from a backwardation of US$0.74/bbl at the start of the week to around US$0.50/bbl.

Meanwhile, following a G7 summit in Canada, finance ministers have threatened further sanctions against Russia if no progress is made towards a peace deal with Ukraine. In addition, the EU is throwing around the idea of lowering the G7 price cap for Russian oil to US$50/bbl from US$60/bbl. Russian Urals are currently trading at around US$55/bbl, which allows western shipping services to be used in the trade of this oil.

US natural gas prices sold off yesterday, with NYMEX Henry Hub settling 3.4% lower on the day. This was after Energy Information Administration data showed that US natural gas storage increased by 120 billion cubic feet over the last week. This was slightly above market expectations and well above the 5-year average for an 87 bcf increase. It leaves total gas storage at 2.375 tcf, 3.9% above the 5-year average.

Agriculture – Looser corn balance sheet

In its monthly update, the International Grains Council (IGC) raised its 2025/26 global corn output forecasts and cut its demand forecast. Estimated global ending stocks are rising from 281mt to 284mt. For wheat, the council left 2025/26 production estimates unchanged. However, it lowered demand estimates marginally, raising global ending stock estimates from 260mt to 262mt. Finally, for soybeans, global ending stock estimates for 2025/26 were cut from 83mt to 81mt amid expectations for stronger demand.

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