The Commodities Feed: OPEC sees tight market

OPEC continues to see a tight oil market for the remainder of this year and for much of 2024. Although we will see how today's IEA numbers compare. Meanwhile, October US CPI data out today will also be important for price direction

Energy - OPEC still sees tight market

Following the heavy sell-off in the market over the last 3 weeks, oil has managed to find some support. In fact, ICE Brent settled a little more than 1.3% higher yesterday. As we stated last week, we believe the scale of the move lower in recent weeks has been extreme. While fundamentals may not be as bullish as initially thought, they are still supportive, with the market likely to be in deficit for the remainder of this year. The surplus we see early next year could even be erased if the Saudis roll over their additional voluntary supply cuts.

OPEC released its latest monthly oil market report yesterday, which did not suggest any concern when it comes to demand. Instead, the group made some marginal revisions higher to their demand forecasts. OPEC forecasts demand to grow by 2.46MMbbls/d this year and by 2.25MMbbls/d in 2024. This is a lot more aggressive than the IEA, who last month forecast that demand would grow by a little less than 1MMbbls/d in 2024. OPEC numbers suggest demand for

OPEC oil in 4Q23 at around 30.9MMbbls/d, while OPEC produced 27.9MMbbls/d in October. As for 2024, demand for OPEC oil would be 29.9MMbbls/d. These numbers indicate that OPEC believes that the oil market will remain tight for the remainder of this year and much of 2024.

A factor which could help ease some of this expected tightness is the restart of oil flows from Kurdish oil fields to the Ceyhan port in Turkey. Talks are ongoing in an attempt to restart oil exports which could deliver in the region of 500Mbbls/d to the market. Exports were halted back in March after a legal dispute when a court ordered Turkey to pay the Iraqi government compensation for allowing these exports without the Iraqi government's approval.

Kuwait's Al Zour refinery has had an unplanned outage. The refinery now faces an interruption in fuel and gas supply. It could take up to 10 days for the refinery to resume operations. The 615Mbbls/d refinery has been ramping up operations in recent months but has suffered some setbacks including a fire back in July. The refinery is a large producer of very low sulphur fuel oil (VLSFO).

On the agenda for today, the IEA will release its latest monthly oil market report and the market will be keen to see if the agency makes any revisions to its demand estimates given recent concern over the demand outlook. The other big release today comes from outside commodity markets - namely the October US CPI print. Headline inflation is expected to fall from 3.7% YoY to 3.3% YoY and any surprises to the upside would likely put some pressure on risk assets, including commodities. A higher inflation print would reinforce the higher-for-longer narrative when it comes to interest rates.

Agriculture – US harvest progress

The USDA's weekly crop progress report for the week ending 12 November shows that 88% of the US corn crop was harvested, up from 81% at the same stage last year and above the five-year average of 86%. Similarly, 95% of the soybean area was harvested, above the 91% seen at the same stage last year and the five-year average. Finally, 93% of the winter wheat area has been planted, up from 90% at the same stage last year, but similar to the five-year average.

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