

The Commodities Feed: OPEC sees tighter market

Oil prices still came under pressure yesterday despite OPEC numbers suggesting a tighter market for the remainder of the year. Today, all attention will be on the IEA's monthly oil market report



Crude inventories rose by 7.2MMbbls last week compared to expectations of around 4MMbbls/d

Energy – OPEC sees larger deficit in 2H23

ICE Brent fell by a little more than 1.4% yesterday, settling just above US\$86/bbl. This weakness comes despite [Chinese customs data showing strong crude oil imports in March](#). However, oil markets are still set to finish the week higher.

OPEC's latest monthly report yesterday suggested an even tighter market heading into the second half of the year. The group left its global oil demand growth forecast unchanged at 2.32MMbbls/d for 2023. OPEC expects global oil demand to average 101.89MMbbls/d this year. OPEC's numbers suggest a call on OPEC production of close to 30MMbbls/d over the second half of 2023, this is higher than the 28.8MMbbls/d the group produced in March.

The output will fall even further following the recently announced supply cuts from a handful of members. Taking into account OPEC estimates and recently announced supply cuts suggests that OPEC expects a deficit of around 2MMbbls/d over the second half of the year. The International Energy Agency (IEA) will be releasing its latest monthly oil market report later today and the

market will be keen to see what revisions, if any, the agency makes to its demand forecasts for the remainder of the year. Last month the IEA expected global oil demand to grow by 2MMbbls/d in 2023 to a record 102MMbbls/d.

Metals – Iron ore declines on planned steel output curbs

Iron ore fell to a four-month low yesterday, hitting an intra-day low of US\$114.60/t on the back of China's plans for steel output curbs for 2023. The latest reports suggest that Chinese authorities are preparing to announce a steel output cap for the year by the end of this month, which would ensure that domestic steel volumes don't exceed 2022 levels of 1.01b tonnes.

Meanwhile, the latest data from the China Iron and Steel Association (CISA) show that steel inventories at major Chinese steel mills rose to 18.3mt in early April, up 6.2% compared to late March. However, crude steel production at major mills increased by 2.7% from the above-mentioned period to 2.32mt/d (the highest level in 11 months) in early April.

Agriculture – Coffee jumps on supply woes

Arabica coffee futures jumped more than 3% to close at US\$194/lb (the highest in six months) yesterday on the back of supply concerns and Brazilian real (BRL) strength. In its latest monthly report, the Colombian coffee growers federation reported that domestic coffee production declined 13% YoY to 799k of 60kg bags in March. The group further added that the nation's coffee shipments fell 19% YoY to 906k of 60kg bags, following a 6% YoY drop in February. It has been reported that excessive rain is having an impact on crops and shipments. Meanwhile, the strength in the BRL will also provide further upside to coffee prices, lowering the incentive to export from this key supplier. The BRL is trading at its strongest levels since June last year.

China's Agriculture Ministry launched a three-year campaign to further cut the use of soybeans in animal feed, primarily to reduce its reliance on overseas imports. The government plans to lower the amount of soymeal used in feed to below 13% by 2025, from 14.5% in 2022. China imports around 80% of soybeans from overseas, most of which comes from Brazil and the US.

Brazil's agriculture agency, CONAB, has raised its soybean production estimates for 2022/23 as favourable weather conditions lead to improved yields towards the end of the harvest. In its recent projections, CONAB estimates domestic soybean production to increase from a previous estimate of 151.4mt to 153.6mt. This compares to 125.6mt produced in 2021/22. Corn production estimates were marginally increased from 124.7mt to 124.9mt for 2022/23.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.