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COMMODITIES DAILY CHINA BRAZIL

The Commodities Feed: OPEC+ set for another supply increase

OPEC+ is scheduled to meet this weekend, with the expectation that the group will agree on an output hike for December

Energy – OPEC+ set to meet

The oil market is on track to settle lower this week as market participants digest the implications of US sanctions on Russian oil flows. Clearly, the price action suggests that the market is not convinced that we will lose a significant amount of Russian oil supply. Yesterday's meeting between President Trump and President Xi only served to strengthen this conviction, with Russian oil flows to China apparently not part of broader talks between the two leaders. This is important for the market given that China imports around 2m b/d of Russian oil. It's the only buyer that could meaningfully increase its purchases if India reduced its imports of Russian crude.

On Sunday, OPEC+ is set to meet. It appears likely that the group will agree to another 137k b/d supply increase for December. The uncertainty surrounding sanctions on Russia also supports this increase. However, the move will only reinforce the bearish outlook for the market, adding to the substantial surplus expected through 2026. Obviously, this is assuming no supply shocks from Russia.

Middle distillate cracks remain well supported, with lingering uncertainty over the impact of sanctions on Russian diesel exports. The ICE gasoil crack is holding around $30/bbl, after a strong rally since mid-October. However, the latest data from Insights Global shows that gasoil inventories in the Amsterdam-Rotterdam-Antwerp (ARA) region increased by 109kt WoW to 2.27mt, which saw its gap to the 5-year average widen. In Singapore, meanwhile, after a significant increase in middle distillate stocks the previous week, stocks declined by 6.25m barrels over the last week.

US natural gas Dec'25 futures rallied 3.7% yesterday, and the strength has continued in early morning trading today. The move higher comes despite US natural gas inventories rising by 74 bcf over the last week, in line with expectations, and above the 5-year average increase of 67 bcf. Instead, the market appears to be focused on forecasts for cooler weather, which should prove supportive of demand.

Agriculture – China to buy 25mt of US soybeans annually

CBOT soybean futures extended their upward rally, with prices surging more than 1.9% at one stage yesterday. This was after President Donald Trump announced that China would immediately purchase large volumes of US soybeans. Later, the US administration said that China agreed to buy 12mt of soybeans between now and January, with a further commitment to purchase at least 25mt annually over the next three years. The announced purchases are largely in line with China's imports of US soybeans prior to the trade war. For reference, China imported around 22mt of US soybeans in 2024.

The latest fortnightly report from the Brazilian Sugarcane and Bioenergy Industry Association (UNICA) shows that sugarcane crushing in Central-South Brazil stood at 34mt over the first half of October, an increase of 0.3% year-on-year. Sugar output over this period rose 1.25% YoY to 2.48mt. Meanwhile, the sugar mix in CS Brazil over the fortnight was 48.2%, up from 47.3% a year ago. This is despite prices suggesting that mills should favour a stronger ethanol mix. The cumulative cane crush so far this season still lags last year, down 2.8% to stand at 525mt, while cumulative sugar production totals 36mt, up 0.9% YoY.

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