The Commodities Feed: OPEC+ set to pause supply increases

Oil prices are trading stronger this morning after OPEC+ decided to keep output levels steady over the first quarter of next year. However, this could change given the uncertainty on Russian oil flows following US sanctions

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Energy – OPEC+ signals a pause to supply increases

As widely expected, OPEC+ announced another oil supply increase of 137k b/d for December. However, the more interesting takeaway from the meeting was the group's decision to pause supply increases through the first quarter of next year. The market is expected to be in peak surplus through the first quarter of 2026, so a pause makes sense. However, given recent US sanctions on Russia, there is plenty of uncertainty as to the size of this surplus. If these sanctions disrupt Russian oil flows, it will eat into the expected surplus early next year, providing OPEC+ the opportunity to rethink its production policy in the early part of 2026. Russian oil flows in the coming weeks will be watched closely, particularly following the end of the wind-down period on 21 November for transactions with Rosneft and Lukoil.

The latest positioning data for ICE Brent shows that speculators bought 119,046 lots over the last reporting week to leave them with a net long of 171,567 lots as of last Tuesday. The move was driven by a combination of fresh longs entering the market, along with a lot of short covering. The gross long increased by 56,968 lots, while the gross short fell by 62,078 lots. The large shift over the week reflects the announcement of US sanctions on Russia. Meanwhile, ICE Gasoil also saw a big move over the week, with speculators buying 33,930 lots over the last reporting week to leave them with a net long of 79,696 lots. Russia is a large exporter of diesel, and a combination of sanctions and Ukrainian drone attacks on refinery infrastructure will be raising supply concerns in the middle distillate market.

The latest data from Baker Hughes shows that the number of active oil rigs in the US fell by six over the last week to 414. The broader weakness in oil prices continues to weigh on drilling activity in the US. However, despite the rig count being under pressure for most of this year, EIA data shows that US crude oil production still managed to hit a record high of 13.79m b/d in August, up 2.9% year-on-year, and less than 1% higher month-on-month. Expectations for a large surplus next year and downward pressure on prices suggest that we should see US crude oil output struggling to grow in 2026.

Metals – China weighs curbs on copper smelting capacity

China's main metals association has called on policymakers to impose limits on new copper, zinc, and lead smelting capacity as the country grapples with mounting domestic competition and historically low processing fees. The China Nonferrous Metals Industry Association submitted proposals to the central government recommending strict controls on new copper projects, as treatment and refining charges fall to record lows amid overcapacity. If carried out, this would mark China's most substantial intervention in the base metals markets since capping aluminium production in 2017.

Spot gold prices have come under some renewed pressure with China announcing the end of a tax rebate for some retailers, basically bringing an end to a VAT offset when selling gold that was bought from the Shanghai Gold Exchange. The move will cover both investment and non-investment gold, and essentially makes gold more costly for Chinese consumers.

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