

The Commodities Feed: OPEC+ week

Sentiment remains fairly negative in the oil market, given the ongoing dispute within OPEC+ over production quotas. However, there are reports of progress ahead of the group's meeting on Thursday



Source: Shutterstock

Energy - OPEC+ makes progress

Sentiment in the oil market remains negative. ICE Brent settled a little more than 1% lower on Friday, which means that Brent has seen 5 consecutive weeks of closing lower. The delayed OPEC+ meeting takes place this Thursday, and instead of being held in person in Vienna, the meeting will be remote. Reports suggest that the group is making progress in coming to a deal with Angola and Nigeria, who are not happy with their lower 2024 production targets. Whilst Angola is producing below its target for next year, Nigeria is currently producing above its 2024 target. Expectations are that Saudi Arabia will at least roll over its additional voluntary cut of 1MMbbls/d into next year. Clearly, if we do not see this, it would put further downward pressure on the market, given the surplus over 1Q24. We believe that the Saudis will roll over this cut and there is a growing possibility that we see a deeper cut from the broader group. In doing this, the group would provide good support to the market going into 2024.

Metals - Gold above \$2,000

Spot gold broke above US\$2,000/oz on Friday and has managed to hold onto these gains in early

Asian trading today. Weakness in the USD would have provided a boost. Gold has held up well this year when you consider the rates environment we have been in. Rising rates have weighed heavily on investment demand. However, ETF outflows for much of this year have been offset by strong central bank buying. We continue to hold a constructive outlook on gold through 2024 and expect prices to hit record levels next year. Expectations that the Fed will start to cut rates through 2024 should see stronger investment demand re-emerging for gold, whilst expectations for a weaker USD should also provide further support.

Agriculture– Solid Ukrainian grain harvest

Recent numbers from Ukraine's Agriculture Ministry show that the domestic grain harvest so far this season rose 38% YoY to 55.5mt as of 24 November. This is largely driven by a bumper corn harvest, which rose 84% YoY to 24.9mt. Meanwhile, the wheat harvest increased by 16% YoY to 22.5mt, while soybean harvests stood at 4.8mt, compared to 3.6mt a year ago. While acreage for grains is lower this season, it is more than offset by stronger yields.

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