The Commodities Feed: OPEC+ weekend

OPEC+ is set to meet on Sunday to decide on output policy for 2023. While the EU still needs to come to an agreement on the G-7 price cap ahead of the EU's ban on Russian seaborne crude oil, which comes into force on 5 December

Energy - OPEC output falls

Preliminary OPEC production numbers for November are starting to come through and it is no surprise that the group significantly reduced output over the month due to the recently agreed production cuts. According to a Bloomberg survey, OPEC output declined by 1.05MMbbls/d MoM to 28.79MMbbls/d. Saudi Arabia led the way with their production falling by 470Mbbls/d, whilst the UAE saw their output decline by 240Mbbls/d. The reduction from the group is broadly in line with the cuts expected under the deal. This weekend we will need to see if OPEC+ stick to the current deal or announce even deeper cuts. The group meets on Sunday and given the recent price weakness, there is the potential for further cuts.

EU members are still trying to agree on a level for the Russian oil price cap. They will want to come to an agreement before 5 December, which is when the EU ban on Russian seaborne crude oil kicks in. The latest reports suggest that the EU is looking at a price cap level of around US$60/bbl, which is lower than the original US$65-70/bbl suggested, however, it is still above the current levels that

Russia is receiving for its crude oil. Therefore, if agreed at this level, it will have little impact on Russian oil revenues at the moment.

Metals – Chinese aluminium surplus

The latest forecast from Mysteel shows that the Chinese aluminium market will finish 2022 with a deficit of 340kt, while the market is expected to shift to a surplus of 580kt in 2023. Supply is expected to grow as a result of new capacity as well as production restarts. Demand is estimated to have grown by 1.6% YoY this year, despite weak demand from the property sector. For 2023, Chinese demand is forecast to rise by 2.24% YoY.

The latest reports suggest that a major copper smelter, Daye Nonferrous Metals Group Holding Co. located in Huangshi city in Hubei province started producing copper from its new smelter with an operational capacity of 400ktpa. It is estimated that the plant produced its first batch of refined copper at the end of November.

Agriculture – US weekly grain shipments remain soft

The latest weekly data from the USDA shows that US grain exports remained weak and came in below market expectations for the week ending on 24th November. Weekly export sales of wheat dropped to 163kt, lower than the 450kt expected. Soybean export sales fell to 694kt, also below the roughly 813kt expected, whilst corn export sales declined to 633kt, compared to expectations of around 763kt.

CBOT soybean oil fell sharply yesterday with prices reaching their lowest levels in three months due to the latest proposal from the Biden administration for changes to the US biofuel mandate falling short of expectations for biodiesel quotas. As per the latest Environmental Protection Agency proposal, the agency will ask oil refineries and importers to blend 20.82 billion gallons of renewable fuel into diesel and gasoline in 2023. The agency will also keep raising the quota for biofuels until 2025. The proposal would also moderately boost quotas for biodiesel (made from soybean oil and other fats) to 2.82 billion gallons in 2023 from 2.76 billion gallons currently. The market was expecting and hoping for a higher number.

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