

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.

Authors

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 <http://www.ing.com>.