The Commodities Feed: Potential OPEC+ supply delay

Oil prices settled lower yesterday despite reports that OPEC+ was looking to potentially delay its October supply increase. Weak demand remains the key concern for the oil market

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Energy – WTI settles below $70/bbl

Oil prices continued their move lower yesterday. While ICE Brent settled a little more than 1.4% lower on the day, NYMEX WTI settled below US$70/bbl for the first time since December. The continued weakness comes despite reports that OPEC+ is looking to delay its supply increase scheduled for October. Clearly, lingering demand worries outweigh any potential delay in this supply increase. If these reports turn out to be correct, the next key question is how long the group will delay their supply increases. The oil balance is in surplus through 2025 (assuming OPEC+ increases supply) and so continuing cuts into 2025 might make sense.

API numbers released overnight were constructive. US crude oil inventories are estimated to have fallen by 7.4m barrels over the last week, while refined products also saw small stock declines. Gasoline and distillate inventories fell by 300k barrels and 400k barrels respectively. EIA weekly data will be released later today and a similar crude oil number would be the largest weekly decline since late June.

European natural gas prices also continued their sell-off. TTF settled 3.75% lower on the day, leaving the front-month contract at EUR35.80/MWh – a level last seen back in early August. The weakness in the market comes despite ongoing scheduled maintenance in Norway and also a significant drop in North African pipeline flows into Italy in recent days. However, storage is close to 93% full, while LNG flows into Europe appear to be recovering from the lows in August. GIE data shows that LNG send-outs in Europe have hit their highest level since May.

Metals – Gold recovers after weak US jobs data

Having been under pressure for much of the day, gold recovered during the latter part of the trading session, after weak US JOLTS job openings data boosted hopes for a Fed rate cut this month. Gold's focus continues to be on the scope and timing of the Fed's likely move to cut rates. Swap traders are now projecting the US central bank will cut its rate by a full percentage point in 2024. We believe gold's upward momentum will continue, supported by a weaker dollar and the long-awaited US Fed rate cut. The US presidential election in November will also continue to add to gold's upward momentum through to the end of the year, in our view.

Authors

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

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