

The Commodities Feed: All eyes on OPEC+ this week

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

Despite the refloating of the Ever Given ship in the Suez Canal, rising yields and a stronger USD, oil prices managed to settle higher yesterday, and this morning ICE Brent is trading back above US\$65/bbl.

All attention this week will be on the OPEC+ meeting on 1 April, where the group will need to decide on what to do with production cuts from 1 May. At the last meeting the group eased by 150Mbbbls/d, with just Russia and Kazakhstan allowed to slightly increase output. All other producers agreed to keep output levels unchanged for April, whilst Saudi Arabia decided to continue with its additional 1MMbbbls/d voluntary cut. Prior to the weakness in the market, expectations were that the group would start easing cuts more aggressively from May. However, the wobble we have seen in prices means that OPEC+ will likely need to take a cautious approach once again. The market is now more split around what the group will decide. We are of the view that the group will likely hold output levels unchanged, with OPEC+ wanting to avoid another sell-off. However, if we do see any easing in cuts, it is likely to be very modest.

Metals

While the Ever Given was refloated in the Suez Canal, the metals complex has found it more difficult to stay afloat, with USD strength proving to be a major hurdle for metals. Profit-taking saw aluminium tumble by almost 1.4%, followed by copper and nickel. In the LME market, copper spreads eased on another sizable gain in exchange inventories. For aluminium, the Japanese premium for 2Q21 was settled at US\$148-149/t (highest since 2Q15), a rise of 14% QoQ, and well above the US\$82/t seen during the same quarter last year. The rebound in the premium was very much anticipated thanks to the recovering demand from major consuming sectors.

Another spike in US Treasury yields, along with USD strength weighed heavily on gold. COMEX gold retreated to as low as US\$1,703 during the London trading session. Total known ETF holdings for gold also continued to decline for a sixth straight day; holdings fell by 49koz to 100moz (lowest since May) as of Monday. Palladium also came under pressure, falling by more than 5% to an intra-day low of US\$2521/oz yesterday, after Nornickel said that it's on track to resume full production, with water inflows at two of its major mines - Oktyabrsky and Taimyrsky having stopped. Nornickel suspended operations at both mines last month due to intensified water inflows.

Finally, steel futures in China rose to their highest level in a decade in anticipation of a seasonal recovery in demand, along with an uncertain production outlook. Rebar futures in Shanghai traded above CNY5,000/t for the first time since 2011, whilst HRC prices also rose close to 2.5% yesterday. Steel demand in China is expected to be boosted by more vigorous construction activities over the coming peak season. However, there are uncertainties over production growth, following recent announcements of output restrictions in Tangshan.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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>.