

# The Commodities Feed: Another vaccine boost

Your daily roundup of commodity news and ING views



Vaccine

Source: Shutterstock

## Energy

The Moderna vaccine news was enough to provide a boost for oil, along with most other risk assets yesterday. Although admittedly the rally was much more modest compared to what we saw following the Pfizer announcement early last week. Again, developments with regards to a vaccine are constructive for oil demand in the medium to long term. However, for the near term it changes little, with still plenty of concern over the demand impact from the latest wave of Covid-19. Despite this, over the last week, we have seen the prompt ICE Brent timespread strengthen significantly to a contango of just US\$0.17/bbl, compared to US\$0.49/bbl at the start of the month. While some of this strength would have likely been on the back of vaccine news, the bulk of it is probably due to growing expectations that OPEC+ will rollover current cuts into next year.

There are reports that the Joint Technical Committee (JTC) made the recommendation to OPEC+ yesterday to extend current output cuts by between 3 to 6 months. While the JTC can give recommendations, it cannot make any policy decisions. For that, we will need to wait for the official OPEC+ meeting at the end of the month. However, before that, expect further noise around what action OPEC+ could take, with the Joint Ministerial Monitoring Committee meeting today. We continue to hold the view that OPEC+ need to rollover current cuts of 7.7MMbbls/d in order to ensure the market continues to draw down inventories over 1Q21.

Finally, the latest drilling productivity report from the EIA shows that the number of drilled but uncompleted wells (DUCs) fell by 86 over October to total 7,558. Over the last three months, the number of DUCs has fallen by 283, to the lowest level since December 2018. Given the slowdown in drilling activity seen since Covid-19, producers are completing DUCs in order to try to maintain output levels. Completions over October reached their highest level since May, with 402 wells completed over the month.

## Metals

Base metals and iron ore continued their upward rally on Monday, as risk assets received a boost not only from better-than-expected factory output data from China, but also continued optimism over a Covid-19 vaccine, following the Moderna news yesterday.

LME copper prices reached an intra-day high of US\$7179/t yesterday (highest since June 2018) as China continued to pump liquidity into the financial system for a fourth straight month. The People's Bank of China infused ¥800B (US\$121B) through its one-year medium-term lending facility yesterday, in its continuous effort to support the post-pandemic economic recovery. Gains in LME nickel were relatively moderate compared to other peers yesterday. The extended weakness in the Chinese stainless steel market seems to be dragging on sentiment for nickel, despite the class 1 market remaining tight. ShFE stainless steel prices have fallen to their lowest since July this year, and this has led to weaker production of the 300 series nickel rich type of stainless steel.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto: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>.