

# The Commodities Feed: Big inventory draws from the API

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## Energy

OPEC yesterday released its monthly market report, which showed that the group's output in June averaged 22.27MMbbls/d, down 1.89MMbbls/d MoM. Saudi Arabia was the key driver behind this reduction, with the Kingdom's output falling by more than 900Mbbls/d MoM, leaving production at a little over 7.5MMbbls/d. The fall in Saudi output reflects the additional cuts they chose to make, along with the UAE and Kuwait. According to the numbers, Iraqi output over the month also fell by almost 450Mbbls/d, leaving production at 3.72MMbbls/d in June, which is not too far off from its quota of a little under 3.6MMbbls/d. Iraq will still need to compensate with deeper cuts, along with the likes of Nigeria, to make up for falling short of the agreement so far.

OPEC did make a slight revision higher in their estimate for global oil demand, and they now expect that demand will only fall by 8.95MMbbls/d YoY, compared to an estimate last month of a 9.07MMbbls/d decline. As for 2021, OPEC expects that oil demand will grow by 7MMbbls/d, which means that they expect demand next year to still fall short of levels seen in 2019.

THE OPEC+ Joint Ministerial Monitoring Committee (JMMC) will meet today, and the market will be

eager to see if deeper cuts will be rolled over for an additional month, or whether the group will stick to the original plan, and start trimming cuts. Most indications suggest that it will be the latter, with more focus on compliance and compensatory cuts.

Finally, API numbers released overnight, have provided some support to the market in early morning trading today. The API numbers showed that US crude oil inventories fell by 8.32MMbbls over the last week, compared to expectations for a small build. The draws did not end there, with gasoline inventories also declining by 3.61MMbbls. The more widely followed EIA numbers will be released later today.

## Metals

Price action in base metals yesterday was primarily dictated by macro events, with zinc leading the rest of the complex lower. The latest flurry of political tension between the US and China has taken a toll on the complex, with only precious metals benefitting, and showing moderate gains yesterday.

For copper, strike action called at Antofagasta's Centinela mine and a weaker dollar failed to give the red metal a further boost. Chinese preliminary trade data for June came largely in line with expectations, but questions remain as to whether the two main drivers that have supported stronger imports of refined metal recently will continue to do so. The drivers include the China arb and scrap availability, but ultimately there will need to be a solid demand story. On this note, accelerating credit growth, and the fact that major sectors are still in recovery mode provides a supportive demand picture. However, for the full year, we are still estimating an average decline of 1.5% in base metals demand from China.

## Author

### Warren Patterson

Head of Commodities Strategy

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

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