The Commodities Feed: Further demand revisions from OPEC

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Energy

Having been under pressure for the last couple of days, oil managed to rally yesterday, with robust Chinese oil imports proving supportive for the market, although the market has given back some of yesterday's gains already in early trading today.

OPEC released its monthly oil market report yesterday, which showed that the group produced 24.1MMbbls/d in September, down 47Mbbls/d MoM. The decline was driven by the UAE, which saw output fall 239Mbbls/d MoM and bring the UAE back into compliance for September, after having overproduced in August. This reduction more than covers the increases we saw from exempt Libya and Iran, whose production increased by 53Mbbls/d and 22Mbbls/d respectively MoM.

Unsurprisingly OPEC made further downward revisions to their global demand estimates. For 4Q20, demand was lowered by 220Mbbls/d from the previous forecast to average 94.86MMbbls/d over the quarter. Fairly large revisions were also made to demand over 3Q20, with it lowered by 460Mbbls/d, leaving demand at 90.99MMbbls/d. The downward revisions to demand for 2H20, were more than offset by OPEC revising higher demand estimates for 2Q20. Meanwhile, for full-year 2021, the group revised lower their demand growth estimates slightly from 6.62MMbbls/d to 6.54MMbbls/d YoY.

Moving on, and there had been suggestions that OPEC+ may reconsider easing cuts in January 2021, as currently planned. However, the UAE energy minister has said that the group still plans to taper cuts from 7.7MMbbls/d currently to 5.8MMbbls/d. Clearly, this can change and will depend largely on how demand evolves, along with where prices are trading as we move closer towards year-end.

Finally, the IEA will be releasing it oil market report today, and their latest demand estimates will be of interest to the market, given the flaring up in Covid-19 cases that we are seeing across parts of Europe.

Agriculture

CBOT soybean traded firm yesterday after the USDA reported strong export demand for US soybeans.

The USDA's weekly export inspection report shows that the US inspected 2.16mt of soybean for exports over the last week, largest weekly exports in around three years as China's soybean purchases continued to increase with 1.63mt of total soybean exports destined for China. Meanwhile, the USDA's latest weekly crop progress report showed that 61% of the US soybean crop has been harvested to date compared to 38% a week ago and just 23% at the same stage last year.

The agency also rated 63% of the soybean crop in good-to-excellent condition, compared to 54% a year ago. For corn, 41% of the crop is harvested to date, compared to 25% last week and 20% at the same stage last season.

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