

The Commodities Feed: Further demand revisions from OPEC

Your daily roundup of commodity news and ING views



Source: Shutterstock

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 its 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.

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 www.ing.com.