

The Commodities Feed: Iran output continues to grow

Your daily roundup of commodity news and ING views



Energy

Having come under quite a bit of pressure on Friday, with deepening concern over developments in India, oil prices this morning have managed to steady, with ICE Brent trading marginally higher in early morning trading.

Preliminary data for Indian fuel demand is already available, which shows that gasoline demand fell 6.3% MoM to total 2.14mt, which is the lowest since August. Diesel demand saw just a 1.7% decline MoM to total 5.9mt over the month. Given that it still appears as though Covid-19 in India have not peaked, we expect to see further downside to fuel demand over May.

Moving to supply, and preliminary numbers for OPEC production show that group output averaged 25.17MMbbls/d in April, up 100Mbbls/d MoM, according to a Reuters survey. Iran was the key driver behind this growth, with output increasing by 200Mbbls/d to 2.5MMbbls/d over the month. This increase comes despite the fact that US sanctions against Iran are still in place. Given that OPEC+ will start to gradually ease production cuts this month, along with Saudi Arabia gradually easing its additional voluntary cuts, we should see almost 530Mbbls/d of additional supply coming back to the market over May. However, if Iran (which is exempt from production cuts along with Libya and Venezuela) continues to increase output, there is clearly upside risk to this number.

Russia, which is the largest of the non-OPEC members within the OPEC+ deal, also released

production data for April, which showed crude oil and condensate production averaging 10.46MMbbls/d, up from 10.26MMbbls/d the month before. Under the OPEC+ deal, Russia was allowed to increase output by 130Mbbls/d in April. However, this agreed increase was just for crude oil and does not include condensate production.

Metals

The latest data from Chile show that copper output declined for the tenth consecutive month, falling 1.3% YoY to 491.7kt in March following the implementation of new restrictions on movement. Falling ore grades and maintenance work at some large mines also contributed to slowing output. On a quarterly basis, Chilean copper production fell 2.2% YoY to 1.4mt in the first quarter of the year.

The International Lead and Zinc Study Group (ILZSG) in its latest forecast expects the global zinc market surplus to widen to 353kt this year despite the expected Covid-19 recovery in demand. The group forecasts that global demand for refined zinc will rise by 4.3% YoY to 13.78mt, whilst global refined supply is expected to grow by 3.1% YoY to 14.13mt in 2021. As for lead, the group forecasts that the global market will see a surplus of 96kt this year. Global refined production is expected to rise by 3.3% to 12.07mt, whilst demand is set to increase by 3.9% YoY to 11.97mt this year.

Finally, the latest CFTC data shows that speculators increased their net long position in COMEX copper for a second consecutive week, buying 10,432 lots over the last reporting week, leaving them with a net long of 55,515 lots as of last Tuesday. For precious metals, speculators decreased their net long in COMEX gold by 6,146 lots, to leave them with a net long of 63,154 lots.

Agriculture

CFTC data showed that speculators reduced their long positions in CBOT corn for the second consecutive week after making a 10-year high of around 402k lots in mid-April. The latest data shows that money managers reduced net longs by 5,335 lots over the last week taking them to a net long position of 378,663 lots as of 27th April. In contrast, speculative net longs in CBOT soybean increased by 7,470 lots over the last week, taking the speculative net long to 180,014 lots as of 27th April. However, it was sugar where we saw the most significant speculative buying over the last reporting week, with growing concerns over the impact dry weather will have on the Center-South Brazil crop this season. Speculators increased their net long position in Sugar no.11 by 34,397 lots over the last reporting week, to leave them with a net long of 257,699 lots.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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