

The Commodities Feed: Iranian nuclear talks

Your daily roundup of commodity news and ING views



Energy

Oil sold off yesterday. Brent settled more than 4% lower on the day, leaving it just shy of the US\$62/bbl level, although we are seeing somewhat of a relief rally in morning trading in Asia today. Admittedly volumes yesterday on ICE Brent were fairly low, with it a public holiday in a number of countries. Aggregate volume traded on ICE Brent yesterday came in at a little more than 558k lots, 45% below the daily average aggregate volume seen so far this year.

There are a number of factors contributing to this more recent weakness. Firstly, worries over Covid-19 infections continue to linger. We have seen a number of countries impose or extend Covid-19 restrictions recently, whilst in India Covid-19 cases hit record levels over the weekend. This will likely raise concerns over demand, given that at the moment a large part of the constructive outlook for the oil market is based on the assumption that we see a strong demand recovery over the second half of this year.

Secondly, supply side developments have not helped. Later today, the US and Iran will be taking part in nuclear talks along with the EU, China and Russia. While any breakthrough at today's meeting and the swift removal of US sanctions is unlikely, talks do appear to be moving in the right

direction for the eventual lifting of sanctions. Therefore, when you consider the potential for the return of Iranian supply at some point this year, along with [OPEC+ finally starting to ease production cuts](#) over the next few months, there is potentially a significant amount of oil supply returning to the market in the coming months.

However, we believe that, even with additional supply from OPEC+ along with higher Iranian output, the market will still be drawing down inventories through the year, so should have little impact on the prospect for higher prices later in the year.

Metals

Despite the strong US jobs data at the end of last week, spot gold prices have held up fairly well, with USD weakness offering some support to the yellow metal. In addition, US treasury yields have started to edge lower once again, with the 10 year yield now back below 1.70%. The latest positioning data shows that speculators still have little interest in gold though, with them reducing their net long in COMEX gold by 5,547 lots over the last reporting week, leaving them with a net long of 50,463 lots as of 30th March. ETF holdings in gold also continue to decline, total known holdings fell for an eleventh straight day, to total 99.6moz; the lowest level since May 2020.

Turning to copper, and the LME market is back above US\$9,000/t this morning, as a result of Friday's positive US jobs data and yesterday's USD weakness. The latest data from Chile shows that Codelco's copper output totaled almost 123kt in February, down from 142kt in January. As for total Chilean copper output, it fell to 425.5kt in February, down from a little over 547kt in January, and 5% lower YoY.

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