

The Commodities Feed: Iranian nuclear talks set to resume

Your daily roundup of commodity news and ING views



Source: iStock

Energy

Energy markets were under pressure for most of yesterday, including oil which settled more than 2% lower on the day. This downward pressure has continued in early morning trading today. The key catalyst for the move appears to be news that broader talks around the Iranian nuclear deal are set to resume before the end of November. This follows discussions between Iran and the European Union yesterday. The ultimate goal of talks would be for the nuclear deal to be fully restored, which would also likely mean the lifting of US sanctions on Iran. How talks evolve will be important for the oil outlook in 2022. We are currently assuming that Iranian output at the end of 2022 is around 1.3MMbbls/d higher than where it starts the year. If we were not to see this increase in supply next year, the market would likely be much more balanced than we currently expect it to be in 2022.

Not helping sentiment yesterday was the EIA weekly report, which showed that US crude oil inventories increased by 4.27MMbbls over the last week. This increase was more than the market was expecting and higher than the 2.32MMbbls build reported by the API the previous day. In addition, implied demand was weaker over the period, with total product supplied falling by

2MMbbls/d. Although, despite weaker demand, gasoline and distillate fuel oil inventories still fell by 1.99MMbbls and 432Mbbls respectively. The one concern continues to be Cushing. Crude oil inventories at the WTI delivery hub fell by 3.9MMbbls over the week, leaving Cushing stocks at just 27.33MMbbls - the lowest levels since 2018. And worries over hitting tank bottoms should continue to be constructive for WTI timespreads.

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