The Commodities Feed: JMMC meeting delayed

Your daily roundup of commodity news and ING views

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Energy

ICE Brent continues to hover around the US$75/bbl level, with the market eagerly awaiting the outcome of Thursday's OPEC+ meeting. The Joint Ministerial Monitoring Committee meeting, which was scheduled to take place today, has been delayed until tomorrow, with the Russian deputy prime minister requesting the delay due to other commitments. We continue to believe that the group will agree on a supply increase of around 500Mbbls/d. However, there clearly is the potential for a few surprises, with some members likely to believe that current price levels justify a more meaningful increase.

Overnight the API released US inventory numbers, which have provided a boost to prices during early morning trading in Asia today. The API reported that US crude oil inventories declined by 8.15MMbbls over the last week, which was larger than the almost 4MMbbls drawdown the market was expecting. If EIA numbers later today confirm a drawdown, it would be the sixth consecutive week of declines. API numbers also showed that crude inventories at Cushing declined by 1.32MMbbls. This tightening in the US market continues to be reflected in the WTI/Brent spread. That spread is now trading at a discount of US$1.64/bbl - levels last seen in October.

Turning to natural gas: Russian producer, Gazprom, has for a third consecutive month decided against booking extra pipeline capacity through Ukraine for July. This is despite the fact that European gas prices are trading at multi-year highs, with European gas inventories well below the 5-year average. The European market is likely to remain relatively tight, particularly with maintenance work scheduled for both the Nord Steam and Yamal-Europe pipelines over July.

Metals

LME 3M aluminium rallied by almost 2.5% yesterday, with prices hitting an intra-day high of US$2,555/t, a seven-week high. According to reports, Russia's Prime Minister has signed an official decree to add export taxes on aluminium, copper, nickel and steel starting from 1 August through to 31 December. As a major primary aluminium supplier to the European market, the tax would add fuel to the physical premia that have already risen to record highs. The impact from the tax, together with the recent synchronous fall in LME reported stocks and primary aluminium stocks in China, has been more than enough to see the bulls push the market higher.

As for copper, the recent surge seen in LME stocks has subsided, with reported levels staying largely unchanged at almost a 12 month high of around 210kt since last Friday. Speculators seem to be in no hurry to take risks on copper amid a stronger dollar. The short-term fundamental picture appears a bit dull, especially when the world's largest importer, China, has started to export cathode.

As for nickel, major smelter Sumitomo Metal Mining Co. said that demand for nickel used in batteries is expected to rise by 18% YoY in 2021. The group said that around 228kt of nickel is estimated to be used in batteries, making up 8.8% of total demand this year. The global nickel surplus is estimated to shrink to 58kt this year, down from a previous estimate of 68kt.

Agriculture

There are further weather concerns for the Brazilian safrinha corn crop, as temperatures have dropped below zero in many of the corn-producing areas of Brazil, raising the risk of frost. Short term forecasts from Parana state's weather monitoring system Simepar estimates that 'cold will be harsh in all areas of Parana' due to strong waves of cold air. Brazil's National Institute of Meteorology, INMET also warned of frost formation in Southern Brazil this week. The frost could damage the current corn crop which saw delayed planting earlier in the year and remains vulnerable to adverse weather conditions at the current development phase. Earlier in the week, CONAB reported that the corn harvest was only 9.8% complete as of 26 June, compared to 16.1% at the same stage last season. The risk of frost would also be a concern for Center-South Brazil's sugar crop.

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