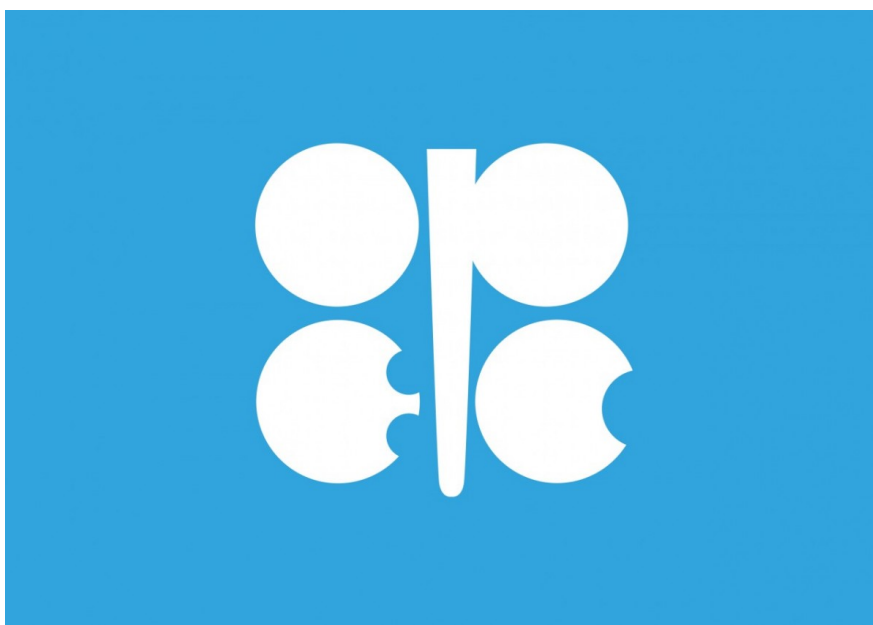


The Commodities Feed: Key OPEC+ meeting this week

Your daily roundup of commodity news and ING views



Energy

Oil prices have had a strong start to the week, with ICE Brent back above US\$65/bbl during the morning session in Asia, following the weak close on Friday. Proving supportive for the market was news that the US\$1.9t US stimulus package moved one step closer to reality, with it passing through the House of Representatives, and now needing to make its way through the Senate. Meanwhile, latest manufacturing PMI data from China shows that activity expanded over February, despite Chinese New Year holidays

Looking ahead, and for the oil market all attention will be on Thursday's OPEC+ meeting, where the group will need to decide what to do with production cuts from the 1 April. Clearly, given the strength we have seen in the market there will be growing pressure from within the group to ease cuts. While the market is expecting the group to increase output from April, the big unknown is by how much. It is very likely that Saudi Arabia will bring back the 1MMbbls/d of supply that it is cutting voluntarily over February and March, then as for group cuts, under the deal the group can ease by 500Mbbbls/d per month. However given that the group did not ease anywhere near that in the first quarter of this year, there may be some members calling for more than 500Mbbbls/d of

easing come April.

The group will need to be careful, they will want to make sure they do not surprise the market by easing too much. There is a large amount of speculative money in oil at the moment, so they will want to avoid any action that will see them running for the exit. Meanwhile the group needs to make sure that the market can absorb this additional supply, and for that they need to ensure that their assumptions around the demand recovery are fairly accurate.

Metals

Spot gold prices declined by more than 2% on Friday, trading down to levels last seen back in June 2020. Rising treasury yields and a stronger USD have weighed on precious metals. While precious metal markets have made somewhat of a recovery this morning, it is clear that yields will be key for price direction, and in particular for gold. Total known ETF holdings in gold continue to decline, falling for a tenth straight day, and by more than 2moz over this period, leaving total holdings at 104moz, the lowest level since July 2020.

Prices of all major base metals ended lower on Friday, with LME copper falling over 3.5%, whilst lead led the declines, with prices falling close to 5%. For copper, expectations of rising shipments of copper concentrate from South America starting from next month might also help ease the supply tightness for Chinese smelters struggling with the raw material squeeze.

Finally, latest CFTC data shows that speculators decreased their net long position in COMEX copper, selling 16,781 lots over the last reporting week and leaving them with a net long of 70,531 lots as of last Tuesday. For precious metals, speculators reduced their net long in COMEX gold marginally by 186 lots to leave them with a net long of 83,395 lots while chopped their net long in silver by 1,569 lots.

Agriculture

Both soybean and corn settled lower on Friday, with data last week showing that US export sales were much lower than expected. Meanwhile, speculative interest remained mixed over the last week. The latest CFTC data shows that, money managers increased their net long position in CBOT soybean by 10,954 lots over the last week with them holding net longs of 172,364 lots as of 23 February. Meanwhile, speculators increased their net long in CBOT wheat by 5,625 lots to leave them with a net long of 26,910 lots. On the other hand, money managers reduced their net long in CBOT corn by 4,634 lots over the same reporting week, leaving them with a net long of 361,151 lots.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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