

Snap | 1 July 2022

COMMODITIES DAILY

The Commodities Feed: No surprises from OPEC+

Your daily roundup of commodities news and ING views



Energy

The oil market came under further pressure yesterday, with ICE Brent falling by more than 3%. This follows a contraction in (real) US spending over May, while there were also revisions lower in 1Q22 spending data, highlighting that the consumer sector is perhaps not as resilient as thought. There is a very real risk that we see a further deterioration in spending over the second half of the year. So for oil, it is clear that macro developments are still the key driver for price direction at the moment. Fundamentally, the market is still tight, so we expect only limited downside in prices.

Yesterday's OPEC+ meeting was a relatively boring affair. As expected the group confirmed an already agreed 648Mbbbls/d supply increase for August. However, the next meeting, which is scheduled for 3 August could be more interesting, given that President Biden is set to visit the Middle East in July. He will likely put pressure on producers in the region to increase output more aggressively.

European gas prices have continued to strengthen this week. TTF is up more than 12% so far, settling a little over EUR144/MWh yesterday - the highest level seen since early March. The strength in the market continues to be due to reduced Russian flows via the Nord Stream

pipeline. Daily flows along the pipeline are around 60% below the levels at the end of May. And these flows will come to a complete stop between 11-21 July, when the Nord Stream pipeline will undergo its usual annual maintenance. There are concerns that Gazprom may not resume flows once this maintenance is complete.

Metals

Industrial metals finished off the second quarter on a negative note, with all major metals settling in the red on the last trading day of 2Q22. LME copper closed at US\$8,258/t, falling 20% QoQ and 15% year-to-date, primarily driven by poor macro sentiment, while LME aluminium slipped further yesterday, to close the quarter at US\$2,446/tonne, falling 30% in the second quarter, and leaving it the worst performer amongst LME base metals. This pressure has come despite a number of metals struggling with supply tightness and exchange inventories hovering near critically low levels. Clearly, macro developments have been in the driving seat when it comes to metals.

Agriculture

The latest US acreage report from the USDA was fairly constructive for soybeans, as plantings fell short of expectations. The USDA estimates soybean acreage to be around 88.3m acres in 2022/23, which is significantly below the 91m acres of plantings estimated in its March report. The market was looking for a number closer to around 90.6m acres. Lower acreage is likely to weigh on production estimates when the agency releases its next monthly WASDE report on 12th July. The report was less constructive for corn. The USDA increased acreage estimates from 89.5m acres to 89.9m acres. While wheat acreage estimates were reduced from 47.4m acres to 47.1m acres, although still up YoY.

The USDA stocks report saw US soybean inventories at around 971m bushels as of 1 June, 26% higher than levels seen at this stage of the season last year. Corn inventories were also higher, standing at around 4.35b bushels as of 1 June compared to 4.11b bushels a year ago. As for wheat, US stocks stood at around 660m bushels as of 1 June, down from 845m bushels last year.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for

THINK economic and financial analysis

information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.