The Commodities Feed: OPEC+ expected to ease cuts

Your daily roundup of commodity news and ING views

The market is expected to be in peak surplus through the first quarter of 2026, so a pause makes sense, though its size remains uncertain

Energy

The oil market continues to wait for clarity on how quickly oil and gas infrastructure in the US Gulf will be restored following Hurricane Ida. The latest data from the Bureau of Safety and Environmental Enforcement shows that almost 1.71MMbbls/d of offshore oil production remains shut in, equivalent to around 93.7% of total US Gulf of Mexico output. More than 1.74MMbbls/d of output was shut in at its peak, so we are already seeing a slow comeback of production. We expect that offshore output will continue to gradually increase over the course of the week. Refinery operations will likely take longer to return to normal. Refiners will need to assess for damage and some will have to wait for power to be restored. Therefore, we continue to believe that we could see some short term pressure on crude oil prices and upside in refined product cracks.

OPEC+ will meet today for their monthly meeting and it is widely expected to be a non-event. We believe that the group will continue with its gradual output increase, as previously agreed. This means that members will be allowed to increase output by a combined 400Mbbls/d in September. According to reports, the group's Joint Technical Committee expects that the global oil market will remain in deficit for the remainder of this year. However, their numbers suggest that the market will return to a fairly large surplus next year. That return to surplus assumes that OPEC+ will bring

back the remainder of output which is still offline. The likelihood of members being able to restore their full production is low. Already recent increases in OPEC production have fallen short of agreed increases. A Reuters survey shows that OPEC increased output in August by 210Mbbls/d MoM to 26.93MMbbls/d. Under the deal, OPEC members could have increased output by 253Mbbls/d.

Metals

LME base metals mostly extended their rally yesterday following Jerome Powell's Jackson Hole speech on Friday (LME was shut on Monday due to a UK bank holiday). Markets shrugged off stock releases from China as well as disappointing PMI data. While traders await further signals from this week's US jobs data, markets have turned their attention to fundamentals in the China market, which saw both aluminium and nickel settle more than 2% higher yesterday.

A supply squeeze keeps on biting the aluminium market. Power issues have started to hit wider regions, and the control on energy consumption and intensity (also called 'dual control') keeps a lid on production. We discussed this in detail in a note released last week. The rally in aluminium prices also comes against expectations of rising demand through September and October. A simultaneous decline of stocks in both the LME and China markets has increased bullish sentiment. LME cancelled warrants for aluminium jumped by 44.4kt (highest since 22nd June) to 485kt yesterday, which may lead to stock outflows. These tighter market conditions are also reflected in the spreads. The cash/3m spread for aluminium slipped to its deepest backwardation since July 2018 to US$25.75/t at the end of last week.

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