The Commodities Feed: OPEC+ JMMC holds firm

Your daily roundup of commodity news and ING views

Energy

There was little from the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting yesterday, with the focus remaining on compliance, along with compensatory cuts. The JMMC reported that compliance between the group was 102% over September, with 249Mbbls/d of compensatory cuts over the month. There were no suggestions as to what OPEC+ may do when the full group meets on 30 November and 1 December, although the committee did say the group needs to remain proactive, given the 'precarious market conditions'. There have been growing calls for OPEC+ to scrap the plan of easing cuts from 1 January, given that the demand recovery has stalled, whilst Libyan output continues to grow. Meanwhile, the US election only provides further uncertainty, particularly if we were to see a Biden victory, as this could see a shift in US policy towards Iran.

The API is due to release its weekly US inventory numbers later today, and given that there was still sizeable offshore production shut-in last week due to Hurricane Delta, we would expect to see another drawdown in crude oil inventories over the last week.

Metals

The metals complex benefited from robust industrial production and GDP data from China yesterday, while a weaker dollar also helped. However, aluminium took a hit from the latest production numbers, which showed that Chinese output hit a monthly record of 3.16mt in

September. The rise was largely expected, and was largely a result of new capacity coming online, along with restarts due to higher profit margins. The concern for bears is that there still has not been a significant stock build in the Chinese market. The latest social inventory numbers came in at 703kt, suggesting another moderate drawdown from the prior week (-6kt).

Separately, the Ministry of Ecology and Environment (MEE) of China revealed updates with regards to import guidance and HS codes for secondary brass (7404000020), secondary copper (7404000030) and secondary cast aluminium alloys raw materials (7602000020). Secondary metal-containing materials that meet the standards, which had been detailed back in July, will no longer be classified as solid waste that is subject to several import restrictions. The new rule will become effective from 1 November this year. This adds clarifications to the current rule book attached to secondary metal imports. Since China banned Category 7 copper scrap imports from the end of 2018, and further restricted the import of Category 6 from July 2019, the copper content within imported scrap has improved significantly. The majority of the materials imported since 2019 has already met the standards in the version issued during July.

Agriculture

The weekly crop progress report from the USDA shows that soybean harvesting in the US has been progressing at a very good pace, with 75% of the crop harvested for the week ending 18 October. This compares to 40% of the crop harvested at this time last year, and an average of 58% over the past five years. Meanwhile, corn harvesting is also progressing well, with 60% of the crop harvested in the same reporting week, compared to 28% at the same stage last year, and the five year average of 43%.

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