

The Commodities Feed: OPEC+ JMMC meets today

Your daily roundup of commodity news and ING views



Energy

Oil markets are trading marginally higher in early morning trading in Asia, ahead of the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting later today. The OPEC+ JMMC will once again meet virtually, where they will discuss compliance of the output cut deal, along with the state of the oil market. Given the resurgence in Covid-19 cases, along with the stalling in the demand recovery, there are growing calls for OPEC+ to scrap their current plan of easing output cuts from 7.7MMbbls/d to 5.8MMbbls/d on 1 January. However, given the JMMC is made up of just a handful of OPEC+ members, we will likely have to wait for the full group meetings on the 30 November and 1 December for any concrete decision, though that does not mean that there won't be plenty of noise around what OPEC+ might do.

The latest rig data from Baker Hughes shows that the total number of active oil rigs in the US increased by 12 over the last week, taking the rig count to 205. This is the largest weekly increase seen since January. But despite this increase, the rig count still remains well below the 683 active oil rigs we saw back in mid-March. In other US data, Hurricane Delta may have long passed the US Gulf, but data from the Bureau of Safety and Environmental Enforcement on Friday showed that 7.94% or 147Mbbbls/d of offshore oil production still remained shut-in.

The latest Commitment of Traders report shows that speculators increased their net long in ICE Brent by 37,531 lots over the last reporting week, leaving them with a net long 120,108 lots as of last Tuesday. The bulk of the move was driven by short-covering, with shorts buying back 27,998 lots over the reporting week. Speculators may not feel comfortable heading into the OPEC+ JMMC meeting with short positions.

Metals

The strengthening in the dollar index weighed on the metals complex last week, while fears of new Covid-19 restriction measures in parts of Europe also did not help. Hopes for US stimulus remain alive, and with the election just around the corner, most metals have been trading in a narrow range given the uncertainties.

In copper, LME inventories started to surge once again by 32kt last week, and the nearby spreads eased further. Labour negotiations at mines in Chile continue, and over the weekend workers at Lundin's Candelaria mine rejected the final wage offer. Unless a last-minute agreement is made today, workers look set to go on strike on Tuesday. The world's largest mine, Escondida, appears to have avoided strike action, with supervisors and the miners finally coming to an agreement.

The LME 3M nickel price touched a 6-week high last week, making it the best performer. The supply side of the class 1 market could be further tightened after MyMetal reported a smelter outage in China, which may potentially remove 5kt refined nickel supply from the market, depending on how long it takes to restart.

As for the latest CFTC data, this shows that speculators added to their net long position in COMEX copper, buying 10,732 lots over the last reporting week, and leaving them with a net long of 80,538 lots as of last Tuesday. For precious metals, speculators trimmed their net long in COMEX gold by 11,186 lots, to leave them with a net long of 119,823 lots, while they cut their net long in silver by 1,156 lots.

Meanwhile, Rio Tinto in its latest quarterly report showed that mined copper output declined 18% YoY to 129.6kt in 3Q20, due to lower productivity at Escondida and Kennecott. Mined copper production at Escondida dropped 9% YoY to 82.3kt, whilst output fell 40% YoY to 34.7kt at Kennecott mine due to the extended smelter shutdown. The group kept output guidance for refined copper at 135-175kt for the current year.

Agriculture

The latest CFTC data shows that money managers reduced their net long position in CBOT soybeans by 11,950 lots over the last week, with net long positions of 226,444 lots as of 13th October. The decline came after eight straight weeks of rises in net bullish bets, on the back of strong Chinese buying. Meanwhile, speculators increased their net long in CBOT corn by 36,403 lots (the highest in almost 15 weeks), leaving them with a net long of 170,869 lots - the largest position they have held since July 2019.

Meanwhile, the USDA weekly export sales report released on Friday shows that soybean sales rose to 2.63mt in the week ending 8 October, and compares to 2.59mt in the previous week. China remained the key buyer, purchasing 1.59mt of soybeans over the week. Looking at corn, total sales over the same reporting week totalled 655k, which was quite a bit lower than the 1,226kt in the previous week.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for 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 <http://www.ing.com>.