The Commodities Feed: OPEC+ JMMC set to meet

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Energy

The market continues to trade in a fairly boring range, with ICE Brent continuing to trade around the US$43/bbl level. On Friday, the IEA released its monthly oil market report, and whilst the agency revised higher its demand estimates for this year, risks to the demand outlook were highlighted with the surge in Covid-19 cases that we have seen, particularly in the US. The IEA expects oil consumption this year to decline by 7.9MMbbls/d, compared to their previous estimate of a fall of 8.1Mbbls/d. This slight revision reflects demand that we have already seen, rather than a change to the outlook over the second half of the year.

There were reports over the weekend that OPEC+ will start to ease their production cuts from the 1 August, which is in line with the current deal. This would see the group reduce the scale of cuts from 9.6MMbbls/d to 7.7MMbbls/d. The market should get confirmation of this over the course of the week, with the OPEC+ Joint Ministerial Monitoring Committee (JMMC) set to meet on Wednesday to discuss the performance of the deal so far, and potentially what further action is needed by the group. If the group decide to ease cuts from the 1 August, this should not lead to a change in views on the market, with most assuming that OPEC+ would start easing cuts by this stage already. However continuing deeper cuts would be more of a surprise.

There is a fair amount of other data set to be released this week. Later today the EIA will be releasing its US drilling productivity report. This will be followed by Chinese trade data on Tuesday, and finally, OPEC will release its monthly market report on the same day as well, which will provide OPEC production numbers for June, along with the group's outlook for the oil market.

Metals

The metals complex remained in risk-on mode last week, with copper prices continuing to soar despite the increase in weekly exchange stockpiles in China. LME copper prices broke above US$6400/t on Friday, as a slower-than-expected return to full production in Peru, and the possibility of labour disruptions in Chile continued to outweigh the demand concerns in China over the summer months.

Zinc advanced last week and saw its largest weekly gain since 2018, supported by the recent shipment delays from the Red Dog mine in Alaska. Meanwhile, on Friday, ShFE lead surged, breaking a technical obstacle, whilst total open interest remained at a multi-year low. However, lead inventories have been climbing in the China market over the last couple of weeks. The discount of secondary lead to primary remains wide, which should encourage some users to favour secondary metal. The physical premium has remained soft, whilst the ShFE first-month to third-month spread has widened further (deeper backwardation), which would increase the likelihood of more deliveries hitting the exchange, and weighing on prices.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com