

The Commodities Feed: OPEC lowers demand expectations

Your daily roundup of commodity news and ING views



Energy

It was already set to be a busy week for the oil market, with both OPEC and the IEA releasing their monthly market reports, followed by the OPEC+ Joint Ministerial Monitoring Committee meeting on Thursday. However, to add to this, we have further hurricane activity in the US Gulf of Mexico (GOM). Hurricane Sally has forced producers to shut-in 21.39% of US GOM oil production, and 25.28% of gas production.

Yesterday OPEC released its latest monthly report, and it was somewhat bearish with the group revising lower their demand forecasts for both this year and 2021. OPEC now expects demand in 2020 to shrink by 9.46MMbbls/d (compared to their previous estimate of 9.06MMbbls/d) to average 90.23MMbbls/d. For 2021, the group had been expecting demand to grow by 7MMbbls/d, but this has been revised down to 6.62MMbbls/d. As a result, total demand next year is expected to average 96.86MMbbls/d, which is still well below 2019 levels. On top of poorer demand, OPEC is also expecting that non-OPEC supply this year and next will be slightly higher than they were forecasting last year. The OPEC report also showed that the group's output averaged 24.05MMbbls/d in August, up 763Mbbls/d MoM, and this obviously reflects the easing in production cuts from the 1 August.

Finally, later today the IEA will release its monthly market report, and the market will be watching closely to see what revisions the agency makes to its demand forecasts

Agriculture

The weekly export inspections report from the USDA continues to be supportive for corn and soybean prices, with robust demand, particularly from China. The USDA inspected 879kt of corn for export over the last week, flat compared to the preceding week, but up 108% YoY. Similarly, soybean export inspections were up 92% YoY to total 1.28mt. The weekly crop progress report from the USDA shows that 60% of the US corn crop is rated good to excellent, down slightly from last week, but still better than the 55% at the same stage last year. The report also shows that 5% of the corn crop has been harvested, which is in line with the 5 year average for this time of the season. Moving onto soybeans, and 63% of the US crop is rated good to excellent, down from 65% in the previous week, but still above the 54% seen at the same stage last year.

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