The Commodities Feed: OPEC+ meet today

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Energy

Oil prices received a boost yesterday, after the EIA reported a surprise drawdown in US crude oil inventories, with stocks falling by 679Mbbls over the week, while Cushing crude oil inventories declined by 317Mbbls over the same period. The draw came despite a slight increase in crude oil imports and a 0.5 percentage point drop in refinery run rates.

The key behind the draw was a pickup in crude oil exports over the week, with them increasing by 625Mbbls/d over the week to average 3.5MMbbls/d, the largest weekly export volume seen since late October. Meanwhile despite the fall in refinery runs over the week, refined product stocks grew, with gasoline and distillate fuel oil stocks increasing by 3.5MMbbls and 3.2MMbbls respectively. The more bearish product builds was not helped by poorer implied demand over the week, with the total product supplied falling by 688Mbbls/d.

Media reports suggest that OPEC+ are also considering a gradual *easing in cuts*

Today OPEC+ members will meet, after having delayed the meeting which was originally scheduled for Tuesday. Media reports suggest there have been private meetings over the week, in the hope that members can come to some sort of agreement ahead of the meeting later this afternoon. It is still expected that the group will come to a deal, however media reports suggest that OPEC+ are also considering a gradual easing in cuts.

The market has largely priced in rolling over current cuts for an additional three months, anything less than this will likely leave the market disappointed.

Metals

Spot gold continued to recoup losses, with prices holding above US$1,800/oz yesterday on the back of renewed optimism over the possibility of a US stimulus package.

Copper mine production in Latin America appears to still be well on track with its recovery. The world's largest copper mine producer, Codelco posted its best monthly production of this year, producing 159.9kt in October according to Cochilco. Though for Peru, community protests at Las Bambas copper mine are again disrupting staff and transport systems. However, mining operations continue to operate normally, and the management expects to meet its shipments target as well.

Antaike forecasts Chinese aluminium capacity to reach 42.63mt by the end of 2020, up by 3.1% YoY. The majority of new capacity is coming from Yunnan, and Sichuan provinces, altogether representing 85% of Chinese capacity added this year. Other areas have also seen small additions, such as Shanxi and Inner Mongolia. The group estimates that Chinese total primary aluminium production will rise by 3.8% YoY to 37.3mt this year (est. 5.4% YoY to 39.3mt in 2021). The group expects that China's total demand grows by 4.7% YoY in 2020, before rising 2% YoY next year. Meanwhile, the group currently estimate a small deficit of 50kt in 2020 for the China market, but the market is estimated to turn into a small surplus market next year.

Chinese demand has been fueling the bull run in iron ore and the most-active SGX iron ore contract is trading above US$130/t, the highest level since the start of 2014. Blast furnaces in China have been running at elevated levels and little signs of environmental-related impacts on sintering activities. Restocking by mills has been driving demand and this has made the market very sensitive to supply developments. Brazilian miner, Vale updated their latest production guidance which came in slightly below market expectations, which has only provided further support to the market. The miner has revised its production guidance for this year to 300mt-305mt (prior. 310mt) and 315mt -335mt for 2021 which is still below levels seen prior to the tailing dam accident in 2019.

Agriculture

The Indian Sugar Mills Association (ISMA) reported that sugar production in the country increased 107% YoY to 4.29mt during October-November with an early start to the crushing season. Higher production combined with large inventories and uncertainty over the export subsidy this year has been weighing on domestic sugar prices over the past few weeks. ICE No11 sugar has also been under pressure lately, dropping around 5.5% over the past two weeks on improved supply prospects from India and favourable weather in Brazil.

An announcement of an export subsidy would likely put further pressure on the market.

Author

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

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