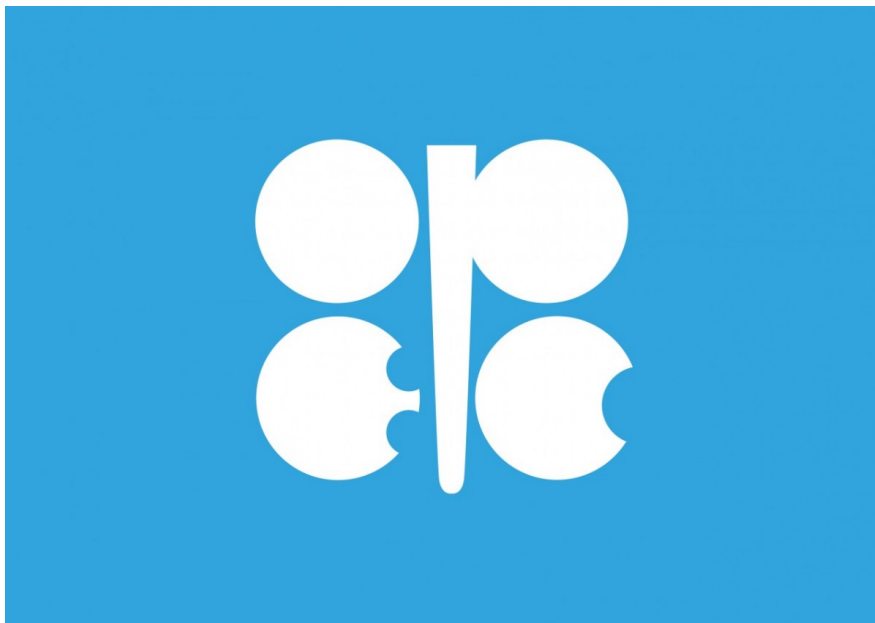


The Commodities Feed: OPEC+ day

Your daily roundup of commodity news and ING views



Energy

The announcement of further lockdowns has not helped oil's case, with Brent falling more than 2% yesterday, after news that France would enter a month-long lockdown, due to rising Covid-19 cases, while Italy will extend Covid-19 restrictions until the end of April. It is developments like these that make the job of OPEC+ difficult when it comes to deciding what to do with production cuts. The group will be meeting later today, and given the recent wobble in prices, along with demand concerns re-emerging once again, there is a growing consensus that the OPEC+ will likely rollover current cuts for an additional month, or at most we may see some marginal easing like at the previous meeting, where Russia and Kazakhstan were allowed to increase output by a combined 150Mbbls/d. At the moment there is no suggestion from OPEC+ on what they may do. The Joint Technical Committee met yesterday and reportedly did not make any recommendation to the full OPEC+ group on what route they should take.

Production estimates for OPEC production over March are already starting to come through, and according to a Reuters survey, OPEC production increased by 180Mbbls/d over the month to average 25.07MMbbls/d. The bulk of this increase was driven by Iran, which has been increasing exports in recent months despite US sanctions.

Finally, yesterday the EIA reported that US crude oil inventories fell by 876Mbbls over the last

reporting week. While this is a small draw, it is the first decline in US crude oil stocks since mid-February, and the US market finally appears to have shaken off the impact from the freezing weather that we saw over late February. Refiners increased their operating rates by 2.3 percentage points over the week, leaving the utilization rate at 83.9% over the week - the highest level seen since March last year. Despite stronger refinery activity, US gasoline stocks still fell by 1.74MMbbls, with stronger domestic demand, larger exports and reduced imports. However, despite stronger domestic demand, distillate fuel oil inventories grew by 2.54MMbbls, as a result of weaker exports over the week.

Metals

Base metals mostly moved marginally higher yesterday, with the US dollar rally taking a breather. LME 3M copper closed the month at US\$8,786/tonne, marking the first monthly decline since last March. Strong headwinds from a macro perspective, including the broader USD rally, is responsible for the weaker performance. Both COMEX and LME markets have seen a wave of long liquidations. In addition, the new wave of Covid-19 in Europe is denting hopes for an early economic reopening, and adding uncertainty to the demand recovery from the region. The situation appears to be getting worse.

Vedanta expressed its interest in building a new copper smelter in India with an annual capacity of 500ktpa. This follows the shutting of Vedanta's Tuticorin smelter back in 2018, which led to India becoming a net importer of refined copper. The final decision from Vedanta and Indian authorities remains unknown for now. If this project were to receive the green light, we could see a combined capacity of 1.1mtpa of refined copper from South and SE Asia in the coming years. Recently, Freeport and Tsingshan Group announced plans to build a 600ktpa copper smelter in Indonesia.

Agriculture

The USDA's prospective plantings report yesterday was fairly constructive for corn and soybean with the agency estimating lower than expected acreage for both crops. Dry weather since late last year and extreme cold in February appear to have weighed on acreage intentions. The USDA estimates that corn planting in the US will increase marginally from 90.8m acres in 2020/21 to 91.1m acres in 2021/22. The market was expecting an acreage estimate of around 93.1m acres, according to a Bloomberg Survey, owing to stronger prices and healthy export demand. For soybeans, the USDA estimated acreage to increase by around 5% YoY to 87.6m acres in 2021/22, compared to market expectations of 90.1m acres.

In another report, the USDA reported that total corn stocks in the US stood at 7.7bn bushels as of 1 March 2021, a five-year low at this point in the season due to tight supplies and stronger demand. Soybean stocks in the country were also reported to have dropped to 1.56bn bushels as of 1 March 2021 compared to 2.25bn bushels at the same point last year. Lower stocks of corn and soybeans were not a surprise, given the stronger demand seen for both crops from China.

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