

# The Commodities Feed: OPEC output creeps higher

Your daily roundup of commodity news and ING views



## Energy

Oil continued to edge higher yesterday ahead of Thursday's OPEC+ meeting. While there is plenty of pressure on OPEC+ to increase output more aggressively, members continue to resist and instead seem to prefer to stick to their plan of easing cuts by 400Mbbbls/d per month. Some of the members who have publicly supported the current easing plan in recent days includes Angola and Nigeria. It makes sense that these two countries would support the more cautious approach. They have generally struggled to increase output and both are pumping below their agreed production levels. Therefore, if they can't increase output, it makes sense to want higher prices.

Preliminary OPEC production numbers for October are starting to come through. According to a Reuters survey, the group increased output by 190Mbbbls/d over the month to 27.5MMbbbls/d. This was below the 254Mbbbls/d OPEC could have increased output by under the deal. Saudi Arabia and Iraq were key drivers behind the increase, while Nigeria saw the largest monthly decline, with supply falling by 70Mbbbls/d. This weaker output was due to a pipeline shutdown which saw Shell declare force majeure on Bonny Light crude loadings.

The WTI prompt timespread continues to hold firm and in fact the spread hit an intraday high of

US\$1.88/bbl yesterday. The strength in the WTI structure is largely due to the continued decline in inventories at the WTI delivery hub, Cushing. Numbers from the EIA last week showed that Cushing stocks fell by 3.9MMbbls, leaving them at just 27.3MMbbls, which is the lowest levels seen since 2018. However, we could see some relief. There are reports that Wood Mackenzie numbers are showing an increase in Cushing inventories more recently. If API and EIA numbers show a similar trend, it would likely ease some concerns over inventories at the WTI delivery hub.

## Agriculture

CBOT wheat surged by more than 3% yesterday and settled at a fresh 5-year high of a little over US\$7.97/bu on stronger demand for the grain in overseas markets. Saudi Arabia is reported to have purchased around 1.3mt of wheat over the weekend, to be delivered during Jan-Apr 2022. The quantity was nearly double what the market was expecting. Egypt was also reported to be seeking wheat in a tender yesterday, even with wheat prices soaring to new highs. Wheat importers have been bulking up purchases this year as dry weather in the US and Russia risks impacting winter crops and tightening supplies next year.

US weekly inspections of wheat for exports dropped to 115kt over the last week compared to 198kt over the preceding week and 313kt a year ago. US wheat export inspections were the lowest in over 10 years last week and combined with soft shipments from Russia, it has tightened the availability of wheat. Russia's Federal Center of Quality and Safety Assurance for Grain and Grain Products reported that Russian wheat exports dropped to around 0.6mt over the last reporting week compared to 1.1mt a week ago. Cumulative wheat shipments are down 14% YoY to total 15.3mt so far in the 2021/22 season.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

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