

# 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 400Mbbls/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 190Mbbls/d over the month to 27.5MMbbls/d. This was below the 254Mbbls/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 70Mbbls/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)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security

discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.