The Commodities Feed: OPEC output edges higher

Your daily roundup of commodity news and ING views

Energy

While some trade unions in Norway managed to settle a pay dispute, talks failed with another, which saw some workers at the 470Mbbls/d Johan Sverdrup oil field go on strike. The operator of the field, Equinor has said that strike action is not affecting output at the moment, although some non-critical work could be affected. However, the union has said that operations could still be brought to a stop, with some of the striking workers including key personnel. The union also warned of further escalation in strike action. For now, markets do not seem too bothered about the strikes.

Preliminary OPEC production numbers for September are already starting to come through. According to a Reuters survey, output for the group averaged 24.38MMbbls/d in September, up 160Mbbls/d MoM. The increase was driven by members who are exempt from the output cut deal, with Libyan and Iranian supply increasing by 70Mbbls/d and 120Mbbls/d respectively.

Finally, EIA numbers yesterday showed that US crude oil inventories fell by 1.98MMbbls over the last week, which was different to the 1MMbbls build the market was expecting. The draw was driven by a 1 percentage point increase in refinery runs over the week, whilst we also saw stronger crude oil exports. Meanwhile on the product side, whilst there was a small build in gasoline inventories, distillate fuel oil stocks fell by 3.18MMbbls over the week. Given the overall draw in crude and refined product stocks, the report was somewhat supportive for the market.

Metals

Renewed optimism on fiscal stimulus talks from the US lifted equities and pushed copper prices higher yesterday. While better manufacturing PMI numbers from China, along with a drawdown in SHFE inventories, also helped to offset another hefty inflow of copper into LME warehouses. Inflows yesterday totalled 29kt, which takes total inflows over the last three days to almost 92kt. As the physical arbitrage into China has closed, the average warehouse warrant premium (against LME cash) in September was around US$15 lower than that in August. The cooldown in buying by Chinese traders may have propelled western traders with stocks in hand to seek LME sheds as an alternative destination. Meanwhile, as a result of the closed arbitrage, and traders having no incentive to clear them into the onshore market, imported copper continues to pile up in Shanghai bonded warehouses, with stocks having risen to 265-280kt as of 21 September, up by 35-36kt since 24 August according to Fastmarkets.

According to the latest production data from the Chilean National Statistics Institute, copper mine production in August came in at 4.9 mln tonnes (+4.6% MoM). Previously, mine production from Chile had registered two consecutive monthly declines during June and July. Lastly, Lundin Mining Corp. requested government mediation to avoid a strike at its Candelaria copper mine, as one of the unions rejected the final offer in regular wage talks. As per Chilean labour law, opting for mediation would give the company an extension of five days to reach a final agreement, after which workers have the right to go on strike.

Agriculture

The quarterly grains stocks report from the USDA was fairly bullish for corn and soybeans, as the agency reported large withdrawals for both. USDA data shows that corn inventory in the US dropped from around 5.2bn bushels as of 1 June to 2bn bushels as of 1 September, which is lower than the market was expecting. Similarly, soybean stocks dropped from 1.4bn bushels to 0.5bn bushels over the same period. Higher exports of corn and soybeans to China over the past few months have helped a larger inventory withdrawal over the reported period. Both CBOT corn and soybeans jumped more than 4% post the USDA report, although settled 3.9% and 3% higher respectively for the day.

According to an Interfax report, Russia's agriculture ministry has revised higher its wheat production estimate for the current year to 82mt compared to its earlier estimate of around 75mt. Higher output and a weaker Rouble remain supportive for exports from the country, with some estimates suggesting exports of a record 5.1mt in September 2020. However, higher shipments overseas have tightened supplies in the domestic market and pushed up local prices quite significantly. This could push the agriculture ministry to impose export quotas over the coming months to keep the domestic market well-supplied and prices under control.

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