# The Commodities Feed: OPEC output edges lower

Your daily roundup of commodity news and ING views

## Energy

Oil struggled to hold onto the gains it made early yesterday, with Brent finally settling more than 1% lower on the day. Even the rally in US equities was not enough to support the market. A stronger USD weighed not just on oil but on the broader commodities complex. While participants in the oil market become increasingly bullish, there are signs that the physical market is not as tight as futures markets suggest. Chinese buying is reportedly easing, with demand expected to be weaker as we go into Q2 for refinery maintenance. There are also reports that China's Unipec is re-offering a number of Angolan cargoes from its April term allocation. This follows previous reports of slow sales for March loadings for Angolan crude, of which China is a key buyer. It shouldn't come as too much of a surprise that Chinese buying is cooling off at these higher prices, given that they took advantage of the lower prices over much of last year to stock up.

Meanwhile, Reuters numbers show that OPEC oil production in February declined by 870Mbbls/d MoM to average 24.89MMbbls/d. The bulk of that reduction would have come from Saudi Arabia, with the Kingdom making additional voluntary cuts over the month, which will continue through March as well. It is widely expected that these voluntary cuts from Saudi Arabia will not be extended any further, while broad expectations are that OPEC+ will likely ease output cuts by 500Mbbls/d when they meet later this week.

## Metals

LME aluminium prices saw a downward correction yesterday, after the surge higher in prices for much of last week, amid rising supply concerns from China's Inner Mongolia. The demand recovery for aluminium this year remains key, especially for the ex-China market. Headline US manufacturing and construction data that came out yesterday should paint a rosier picture for demand growth in the North American market. Meanwhile, according to the latest reports, buyers in Japan were offered premiums between US$149/t-165/t for 2Q20, 27% higher when compared to the current quarter. Buyers mostly agree to lower rates through negotiation. However, if they accept the current offers, then it would be the highest since 2Q15. The surge in premiums is mirroring the recent surge in aluminium prices, as we see tighter market conditions. However saying that in the near term the market will need to get past the inventory build-up that we are seeing in the China market, which has accelerated over the last two weeks.

### Author

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