

The Commodities Feed: OPEC+ sees below average stocks by mid-year

Your daily roundup of commodity news and ING views



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Energy

Oil markets continued their strong run yesterday, with ICE Brent trading briefly above US\$58/bbl, levels that were last seen back in February last year. Timespreads also continue to strengthen, with the prompt Brent spread trading briefly above US\$0.30/bbl at one stage. While the strength in equity markets proved constructive for oil once again, we are also seeing a stronger North Sea physical market. In addition, the OPEC+ Joint Technical Committee meeting was also positive, with the group expecting commercial stocks in OECD countries to fall below the 5-year average by the time we get to June. This is largely aligned with our price outlook, where we expect to see further upside in oil prices over the second half of this year. Obviously, there are still plenty of demand risks floating around, while on the supply side, there is the issue of Iran, and when we will see Iranian supply growing.

Turning to the US, and API numbers released overnight were also constructive. This is providing some further strength to the market in early morning trading in Asia. The API reported that US crude oil inventories declined by 4.26MMbbls over the last week, which was more than the 2.3MMbbls draw the market was expecting. On the product side, draws were also seen, with

gasoline and distillate fuel oil stocks falling by 240Mbbbls and 1.62MMbbbls respectively.

Metals

In ferrous metals, SGX iron ore futures declined for a second straight day, hitting a low of US\$146.55/t yesterday, levels which we last saw back in early December. Signs of improving shipments from top exporters along with the expectation of waning Chinese demand has weighed on the market. Iron ore exports from the big four miners in Australia's Pilbara region rose 2% YoY last month. Total exports from BHP Group, Rio Tinto Group, Fortescue Metals Group Ltd. and Roy Hill Holdings stood at 66.2mt in January. Meanwhile, Pilbara ports are seeing operations resume, after the ports were cleared over the weekend as a result of a storm threat. In Brazil, daily average exports of iron ore totaled 1.45mt in the 20 business days of January, up from 1.21 million a day in January last year. Later today, major producer Vale is scheduled to release its quarterly production numbers for 4Q20, along with its shipment guidance for the year.

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