

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

Your daily roundup of commodity news and ING views



Source: Shutterstock

## 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.

## 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>.