The Commodities Feed: OPEC+ sticks to its plan

Your daily roundup of commodity news and ING views

Energy

ICE Brent jumped around 2.5% yesterday to settle at a new recent high of US$81.26/bbl after OPEC+ agreed to continue with 400Mbbls/d of supply increment for November. The market was worried about a bigger output increase for next month on account of the ongoing energy crunch in Asia and Europe. OPEC+ has decided to continue with the existing agreement for now, based on the 'current oil market fundamentals and the consensus on oil outlook'. One of the major rationales for the steady course of action for OPEC+ could be that crude oil prices have not increased as much as natural gas or coal over the recent months and demand spill from natural gas/coal to crude oil could be rather limited. Increasing oil output at this juncture may not be helpful in balancing the oil market and could weigh on oil prices in the immediate term. OPEC+ is scheduled to meet next on 4 November to decide on December output.

In the US, Royal Dutch Shell has restarted operations at its 100Mbbls/d Olympus oil & gas platform on the US Gulf Coast after the company completed repair works following the damages caused by Hurricane Ida around a month ago. Shell's other two platforms, Mars and Ursa, remain shut and are likely to be operational only around the first quarter of next year.

Metals

A softer USD index and the widespread power crunch in China continued to dominate the metals outlook, and prices of all major metals (nickel aside) ending higher yesterday. LME aluminium led the gains and resumed its climb towards 13-year highs in a thinly traded market yesterday. Meanwhile, Chinese markets are closed until Thursday for the National Day holiday break.

In precious metals, spot gold prices traded almost flat yesterday as stronger US Treasury yields and falling ETF holdings weighed on the yellow metal. Total known ETF holdings for gold saw outflows of 577.8koz last week (the biggest weekly outflow since March), with outflows of 239koz reported on Friday alone. Total holdings stood at 98.96moz as of last week, the lowest since May 2020. The latest data shows that Indian gold imports surged by 658% from last year's lower base, as a decline in domestic prices helped to revive consumer demand. India imported 91t of gold last month compared to just 12kt during the same period last year.

The weekly crop progress report from the USDA shows that corn and soybean harvests in the US continued at an accelerated pace this year. The agency reported that 29% of the current corn crop was harvested as of 3 October, compared to 18% a week ago and the 5-year average of around 22% at this stage of the year. Similarly, the soybean harvest increased to 35% as of 3 October, compared to 16% a week ago and a 5-year average of 26% at this point in the season. Crop conditions for both crops were flat last week, with 59% of corn and 58% of soybean rated in good to excellent condition. For wheat, winter wheat planting is at the usual pace, with around 47% of wheat planted as of 3 October compared to the 5-year average of 46% at this stage of the year.

Author

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