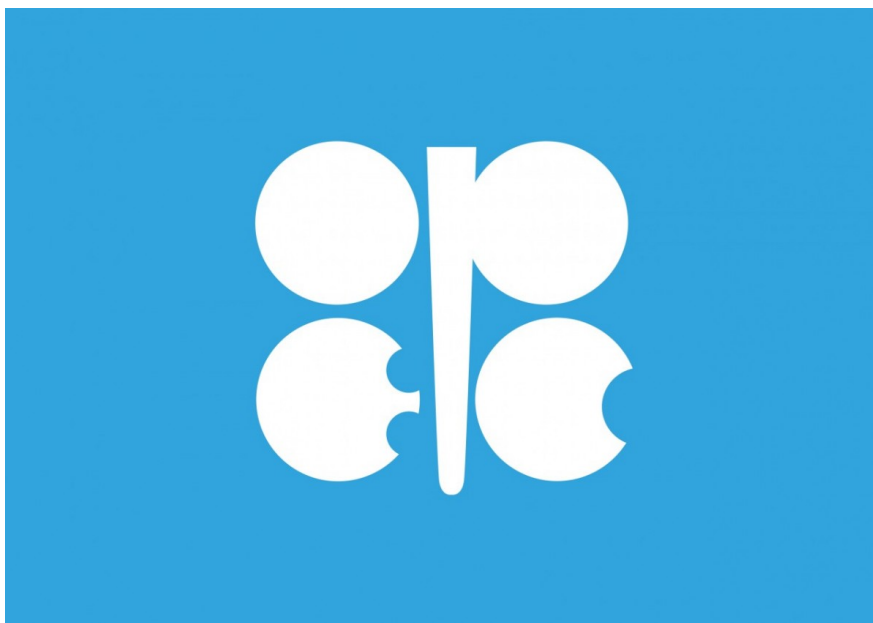


The Commodities Feed: OPEC+ sticks to its plan

Your daily roundup of commodity news and ING views



Energy

Yesterday's OPEC+ meeting offered little relief to the market. As widely expected the group agreed to a further output increase of 400Mbbbls/d for March. The concern for the market is that whilst the group may announce sizeable production increases, in reality what the market will see is smaller. This has been evident for several months now, including for January. Preliminary numbers show that OPEC pumped 28.14MMbbbls/d in January according to a Bloomberg survey. This is an increase of just 50Mbbbls/d MoM, a far cry from the slightly more than 240Mbbbls/d that OPEC could have increased production by. Admittedly the group's production was weighed down by Libya, who is not part of the output deal. Libyan output fell by around 140Mbbbls/d in January. If we strip out the OPEC members who are not part of the output deal (Libya, Iran and Venezuela) and focus on the OPEC-10, output then increased by 160Mbbbls/d MoM- still short of the agreed increase.,

European gas prices have come under some downward pressure in recent days. Russian pipeline flows have picked up from the low levels that we saw for much of January. In addition, European hub prices continue to trade at a premium to spot Asian LNG, which should ensure that spot cargoes make their way to Europe. However, whilst we are seeing some relief, the market is still

tight. European gas storage is a little more than 37% full, compared to a 5-year average of almost 53%. There is also still plenty of geopolitical risk around Russia-Ukraine, and what a further escalation could mean for Russian gas flows to Europe.

Metals

The overall metals complex remained firm amid a weaker dollar and thin market volumes. Copper rebounded for a third consecutive day and prices in the short-term are largely drifting with dollar moves and the outlook for Fed policy. However, aluminium slipped from its recent highs, likely triggered by signs of rising Russian gas deliveries via key pipelines, easing the risk of further disruptions from European smelters.

As for LME inventories, the market continues to see outflows in major base metals, which has provided strong support. The frontend spreads remain vulnerable to sudden spikes due to tightness. In nickel, a tight market saw the cash/3M spread surge to US\$570/t on Tuesday (the highest since June 2007) but retreat to around US\$455/t yesterday, leaving traders wary of putting on any significant shorts in the frontend.

Iron ore continues to climb in Singapore, with prices trading back above \$140/t, although this is in the absence of China onshore traders during the Chinese New Year holidays.

Author

Warren Patterson

Head of Commodities Strategy

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 www.ing.com.