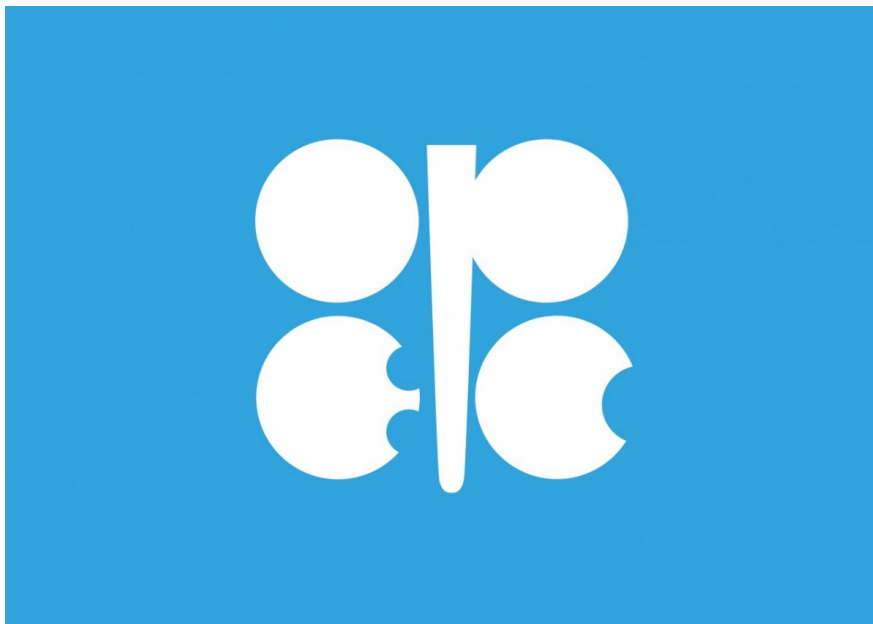


# The Commodities Feed: OPEC+ sticks to output hike plan

Your daily roundup of commodity news and ING views



## Energy

OPEC+ surprised the market yesterday choosing to stick to its plan of increasing oil output by 400Mbbbls/d in January. This would mean that under the deal, the group can produce 40.49MMbbbls/d over the month with OPEC's share totalling 24.55MMbbbls/d. Expectations heading into the meeting were that the group would at least pause supply increases for a month. As a result, the immediate price reaction was for Brent to fall towards US\$66/bbl and it was down around 4% at one stage. However, this weakness was short-lived and Brent managed to finish the day up more than 1%. The market appears to have taken comfort in the fact that OPEC+ is willing to reconvene and adjust production if necessary due to the Omicron variant.

The decision by the group appears to be an attempt to buy themselves more time. There is still plenty of uncertainty around what the full impact from Omicron will be and so deferring a potential decision until there is more clarity is likely the best course of action. In addition, it appears that some of the pressure that we have seen from the US on Saudi Arabia and the broader group to stabilize oil prices may have worked. Had OPEC+ paused supply increases, the US administration would have possibly perceived this as the group retaliating against its recent SPR

release announcement. And that would have done little to help relations between the Kingdom and the Biden administration.

There is still plenty of uncertainty in the near term with regards to price direction and as a result, the market is likely to remain volatile. The short-term outlook will depend on how governments around the world react to the Omicron variant in the coming weeks. However, until there is more clarity we continue to hold the view that ICE Brent will average US\$76/bbl over 2022. As we have seen in the past, any demand hit would likely see OPEC+ react, which should provide a floor to prices.

## 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>.