The Commodities Feed: OPEC+ sticks to production increase plan

Your daily roundup of commodity news and ING views

Energy

OPEC+ ministers appear to have held their meeting which was scheduled for today early, with OPEC publishing a press release that the group met on Tuesday. However, the surprises end there, with the group deciding to stick to their plan of gradually increasing oil output between May and the end of July. This easing will see around 2.1MMbbls/d of supply brought back onto the market over this period. While there is concern over the Covid-19 situation in India, the group still believes that we will see a strong recovery in the second half of this year. In addition, our balance sheet continues to show that the market will be able to easily absorb this additional supply from OPEC+. The group is next set to meet on 1 June, and so they can reassess the demand situation then, and decide whether there is any need to slow the pace of easing output cuts.

Away from OPEC+, and the API released US inventory numbers overnight which showed that US crude oil inventories increased by 4.32MMbbls over the last week, which is quite a bit different to the roughly 1MMbbls drawdown that the market was expecting. Despite this surprise build, the market is holding up fairly well in early morning trading today. Looking at refined products, the API reported drawdowns of 1.29MMbbls and 2.42MMbbls in gasoline and distillate fuel oil respectively.

The more widely followed EIA report will be released later today.

Metals

The metals complex extended gains for a third consecutive session supported by continued macro-optimism, while gold prices traded in a tight range ahead of this week's Federal Reserve meeting. LME copper extended its upward rally with prices rising as much as 2.2% to hit an intra-day high of US$9,965/t (highest since 2011). Also, nickel, the recent laggard among LME base metals, also extended gains yesterday, with the three-month price trading to an intra-day high of US$16,995/t.

The latest LME Commitment of Traders Report (COTR) released yesterday showed that investors have increased their net bullish positions in copper to the highest level in seven weeks, primarily driven by the bullish sentiment towards tightening supply conditions. Similarly, zinc and aluminium also saw increased interest; reflecting a broader return of risk appetite to industrial metals over the last week.

Data from the Japan Copper and Brass Association shows that production of copper and copper-alloy fabricated products rose 14% YoY to 69.6kt in March (the highest since November 2018), supported by strong demand from the auto and semiconductor sectors. However, on a year-to-date basis, output still remained lower, falling 11% YoY to 656.2kt.

Finally, Vietnam's trade ministry raised anti-dumping duties on some aluminium products from China (after reviewing its 2019 introduction of anti-dumping taxes) to 4.39%-35.58% starting from April 25th, compared to 2.49%-35.58% previously. Increased barriers from trading partners on Chinese aluminium semis will likely continue to weigh on semis exports, although higher exports of finished products and end-use products have been offsetting the decline.

Agriculture

Sugar prices continued to strengthen yesterday, with the no.11 July contract rallying by almost 3.9%, to settle at US¢17.75/lb after Center-South Brazil reported a slow start to its 2021/22 harvest. The latest data from UNICA shows that sugar cane crushing in CS Brazil dropped 31% YoY to 15.6mt over the first half of April, while sugar production fell 36% YoY to 624kt. Producers increased the amount of cane they allocated to ethanol production, with 38.6% of cane going to sugar production, compared to 40.2% during the same period last year. The sucrose content of the cane was also worse than expected, falling 3.6% YoY to 108.7kg/t. Some mills in the country have delayed the start of the season, hoping that it would improve yields following the drought conditions we have seen in the region. However, CS Brazil is still set to see a sizeable drop in sugar output this season from the record of a little over 38mt produced last season.

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