

The Commodities Feed: OPEC+ strikes a deal

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

ICE Brent has been trading soft in morning trade today as OPEC+ finally reached an agreement over the weekend to increase crude oil output gradually. The group decided to increase oil supply by around 400Mbbbls/d per month starting in August 2021 until all of the 5.8MMbbbls/d of output cuts are restored. The group will reassess the market situation in December 2021 and take a final decision on output increments for next year. The agreement will see around 2MMbbbls/d of oil supply returning into the market over the next five months with OPEC+ effective cuts falling to around 3.8MMbbbls/d by end of the year. The group has also agreed to extend the current deal until the end of 2022 from its earlier expiry of April 2022.

To accommodate demands from the UAE, the group has agreed to make some adjustments to the base production effective May 2022 considering higher production capacity in some of the countries and healthy oil demand. UAE's base production line will increase to 3.5MMbbbls/d compared to the current 3.17MMbbbls/d starting May 2022 whilst Saudi Arabia and Russia will also see their base production increasing from 11MMbbbls/d to 11.5MMbbbls. In total, the OPEC+ base production will increase by around 1.6MMbbbls/d to 45.5MMbbbls/d effective May 2022.

We maintain our [price forecasts](#) of US\$75/bbl for ICE Brent over the third quarter of 2021 as the output increments are largely in line with our expectations. Healthy demand growth combined with moderate supply increases from OPEC+ will likely remain supportive for the oil market in short term at least.

Finally, the latest positioning data shows that speculators increased their net long position in ICE Brent by 9,022 lots over the last week to leave them with a net long position of 312,627 lots as of 13th July. NYMEX WTI also saw money managers increasing net longs by 7,621 lots over the last week, leaving them with net longs of 381,491 lots as of last Tuesday.

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 <http://www.ing.com>.