

The Commodities Feed: OPEC+ talks drag on

Your daily roundup of commodity news and ING views



Energy

OPEC+ failed to come to an agreement on Friday, and so members will continue discussions later today in order to try come to a deal. As a result, oil prices are holding relatively steady, awaiting the outcome of talks later today. The obstacle to a deal at the moment appears to be the UAE, which insists that the baseline used for its production cuts is increased if the deal is extended further into 2022. The UAE over the weekend has said that it supports the proposed supply increase of 2MMbbls/d between August and December, but believes that any decision on extending the deal from April 2022 to the end of 2022 should be taken at a later date, particularly given the issues the UAE has with its baseline. If the group finally agrees to a 2MMbbls/d increase between August and the end of this year, it would still be below market expectations, given that it would be equivalent to a monthly increase of 400Mbbbls/d, while the market was expecting an increase of at least 500Mbbbls/d in August. As a result, this would be supportive for prices. Meanwhile, failing to come to a deal may provide some brief upside to the market, with reports that output would remain unchanged if OPEC+ does not come to an agreement. However, realistically it could also signal the beginning of the end for the broader deal, and so the risk that members start to increase output.

Metals

Copper smelters in China and Chilean miner Antofagasta reportedly agreed on treatment charges for concentrate term supplies at a level in the mid-US\$50/t. This is lower than the roughly US\$60/t seen in 1H21, however, above current spot TC's of US\$42.5/t. Meanwhile, China is set to release the first batch of metals from state reserves on Monday and Tuesday, as previously announced. The first tranche of sales will include 20kt of copper, 30kt of zinc and 50kt of aluminium.

According to Mysteel, steel mills in Tangshan city in China who do not meet lower emission targets, will have to cut output by 30% starting from the 2 July through until the end of this year.

Finally, the latest CFTC data shows that speculators increased their net long position in COMEX copper after a decline of seven consecutive weeks, buying 8,310 lots over the last reporting week, and leaving them with a net long of 27,576 lots as of last Tuesday. For precious metals, speculators decreased their net long in COMEX gold by 3,647 lots, to leave them with a net long of 72,516 lots, while increasing their net long in silver by 3,260 lots.

Agriculture

Argentina's agriculture ministry estimates corn production in the country to surge to a record high of around 59mt in the marketing year 2020/21 compared to around 58.4mt in 2019/20. Estimates from the ministry are not directly comparable to USDA or other market estimates as ministry estimates include both commercial and non-commercial production of corn whilst the majority of market estimates are for commercial production only. However, the latest estimates from the ministry still provide hints that corn supply from Argentina may not be as poor as feared. The USDA's recent WASDE report estimated Argentina corn production to drop by around 4mt in 2020/21 to 47mt. Improved weather in the South American country appears to be helping corn yields for the current crop, where harvesting is only around 50% complete to date.

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>.