

# The Commodities Feed: OPEC+ & the compliance issue

Your daily roundup of commodity news and ING views



## Energy

While ICE Brent managed to push above US\$40/bbl yesterday, it was unable to settle above this level, and the market came under renewed pressure following reports that not all is well within the OPEC+ alliance. Saudi Arabia and Russia are keen on ensuring that all members comply with the current deal. In particular, Iraq and Nigeria, whose compliance over May came in at just 42% and 33% respectively. It does appear that any extension of current cuts will be largely dependent on these countries improving their compliance levels, and potentially even making up for their lack of compliance in May. Failing to do so would mean that the deal likely stays in its current form, where cuts will be reduced from 9.7MMbbls/d to 7.7MMbbls/d in July. There is still very little clarity over whether the meeting will be brought forward, or remain as scheduled for 9-10 June.

The EIA released its weekly inventory numbers yesterday, reporting that US crude oil inventories fell by 2.08MMbbls over the last week, whilst stocks at Cushing declined by 1.74MMbbls, which is the fourth consecutive week of inventory declines at the WTI delivery hub. Since the start of May, Cushing inventories have fallen by 13.7MMbbls, easing previous worries of tank tops. Developments on the product side were more bearish, with gasoline and distillate fuel oil inventories increasing by 2.8MMbbls and 9.9MMbbls respectively. These builds will do little to help refinery margins, which

remain under pressure.

## Metals

Precious metals came under pressure yesterday, though it was more of a mixed bag for base metals. A recovering services sector in China and better than expected US ADP payroll data provided a floor to risk assets. China's services PMI reached 55 in May, after declining for the three straight months. Meanwhile, a Bloomberg survey showed that China's economic activity has recovered back to 80%-85% of pre-virus levels, which should also be supportive for the metals complex. Clearly, though, a key risk is a further escalation in tensions between the US and China.

Looking at mine supply, data released by the Energy and Mines Ministry of Peru yesterday showed that total copper output in Peru declined by 33% YoY to 122.2kt in April, as mining operations were disrupted by Covid-19 related restrictions. Looking at individual mine supply losses, output at Antamina and Cerro Verde fell 39% and 46% respectively, while Hudbay and El Brocal suspended operations for the entire month. The country's zinc production contracted 86% YoY to 16kt in April.

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