

The Commodities Feed: Russia & OPEC+ cuts

Your daily roundup of commodity news and ING views



Energy

Russia & OPEC+ cuts: While there is growing consensus that OPEC+ will need to make deeper cuts over the first half of 2020, the Russian energy ministry says it's too early to discuss deeper cuts. It does seem that it is going to be a repeat of previous meetings, where there is uncertainty about where Russia stands regarding those cuts. We believe further action will need to be taken by OPEC+ at the December meeting, however clearly with cuts already ongoing, it is going to be a challenge to convince producers to reduce even more. A factor which makes the OPEC+ decision even more difficult is growing concerns over slowing production growth from the US.

Johan Sverdrup crude loadings: Having started up earlier in October, the Johan Sverdrup oilfield in the North Sea is expected to load 387Mbbbls/d in December, up from an expected 353Mbbbls/d in November according to Bloomberg. Equinor expects the field to produce more than 300Mbbbls/d by the end of November, and 440Mbbbls/d by the middle of next year for phase 1. The field will reach a maximum output of 660Mbbbls/d once phase 2 starts in 4Q22.

Metals

ILZSG forecasts: In its latest forecasts, the ILZSG indicated that they expect the global zinc market to shift into a surplus of 192kt in 2020, compared an estimated deficit of 178kt in 2019 and 384kt in 2018. Global refined production is expected to increase 3.7% YoY to 14mt in 2020 after rising 2.5% in 2019, while demand is expected to rise modestly by 0.9% YoY to 13.8mt in 2020, after declining by an estimated 0.1% to 13.67mt for the current year.

On the other hand, lead supply is expected to exceed demand by 55kt in 2020, this compares to a deficit estimate of 46kt in 2019. Global refined production is estimated to fall marginally by 0.3% to 11.76mt in 2019; however is set to pick-up by 1.7% to 11.96mt in 2020, with higher output contributions from Australia, Belgium, Canada, India and Italy. Global refined lead demand is estimated to fall by 0.5% to 11.81mt in 2019 and is forecast to post a marginal gain of 0.8% to 11.9mt in 2020, with a weak automotive market.

Indonesia & nickel: LME Nickel retested the US\$17,000 mark both yesterday and this morning, after reports that Indonesia was set to ban nickel ore exports with immediate effect, due to strong exports, as players secure supplies ahead of the ban that was meant to come into force on the 1 January 2020. However this morning, Airlangga Hartarto (Coordinating Minister for Economic Affairs) confirmed that in fact the ban will not be brought forward, and implementation will remain 1 January 2020.

Ramu nickel in Papua New Guinea resumed operations after receiving approvals from officials to restart following the temporary shutdown last week due to a pollution investigation. Ramu produced 35.35kt of nickel in 2018.

Daily price update

| | Current | % DoD | ch | %YTD | ch | | Current | % DoD | ch | %YTD | ch |
|------------------------------|---------|-------|--------|------|----|--------------------------|---------|-------|-------|------|----|
| ICE Brent (US\$/bbl) | 61.57 | -0.73 | 14.44 | | | Spot Gold (US\$/oz) | 1,492.5 | -0.81 | 16.38 | | |
| NYMEX WTI (US\$/bbl) | 55.81 | -1.50 | 22.90 | | | Spot Silver (US\$/oz) | 17.8 | -1.05 | 15.20 | | |
| ICE Gasoil (US\$/t) | 592 | -1.00 | 15.86 | | | LME Copper (US\$/t) | 5,908 | -0.29 | -0.96 | | |
| NYMEX HO (Usc/g) | 196 | -0.90 | 16.72 | | | LME Aluminium (US\$/t) | 1,737 | 0.52 | -5.90 | | |
| Eurobob (US\$/t) | 568 | -0.02 | 18.45 | | | LME Zinc (US\$/t) | 2,544 | 1.33 | 3.10 | | |
| NYMEX RBOB (Usc/g) | 167 | -0.01 | 26.37 | | | LME Nickel (US\$/t) | 16,640 | -0.80 | 55.66 | | |
| NYMEX NG (US\$/mmbtu) | 2.45 | 6.35 | -16.80 | | | | | | | | |
| TTF Natural Gas (EUR/MWh) | 14.39 | -5.54 | -34.53 | | | CBOT Corn (Usc/bu) | 384 | -0.71 | 2.40 | | |
| | | | | | | CBOT Wheat (Usc/bu) | 512 | -1.16 | 1.69 | | |
| API2 Coal (US\$/t) | 59 | -1.34 | -30.22 | | | CBOT Soybeans (Usc/bu) | 921 | 0.05 | 4.33 | | |
| Newcastle Coal (US\$/t) | 67 | 0.30 | -33.58 | | | ICE No.11 Sugar (Usc/lb) | 12.54 | 1.54 | 4.24 | | |
| SGX TSI Coking Coal (US\$/t) | 145 | 0.00 | -31.66 | | | ICE Arabica (Usc/lb) | 101 | 1.06 | -1.33 | | |
| SGX Iron Ore 62% (US\$/t) | 84.58 | -1.23 | 21.75 | | | ICE London Cocoa (GBP/t) | 1,921 | 0.42 | 8.78 | | |

Source: Bloomberg, ING Research

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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