

The Commodities Feed: The JMMC keeps us waiting

Your daily roundup of commodity news and ING views



Energy

Oil prices are weaker in early morning trading in Asia, with yesterday's OPEC+ Joint Ministerial Monitoring Committee (JMMC) not giving a clear signal on what the group will decide when they meet at the end of this month. Instead, the JMMC said that OPEC+ needs to be "vigilant, proactive and be prepared to act", and the committee will give its recommendation to oil ministers at the official meeting later this month. With output cuts set to ease from 7.7MMbbls/d to 5.8MMbbls/d, the group needs to decide if they delay this easing, given the latest wave of Covid-19, along with growing supply from Libya. The JMMC also noted that with compensatory cuts that we have seen in recent months, the group's compliance with the deal since May comes in at 99.5%

Further pressure this morning has come from API inventory numbers, which show that US crude oil inventories increased by 4.17MMbbls over the last week, which was quite a bit higher than the roughly 1.6MMbbls build the market was expecting. While the crude build is not great for sentiment, on the refined product side, we saw another week of large drawdowns for distillate fuel oil, with stocks declining by 5.02MMbbls over the week. The continued decline in distillate fuel oil stocks in the US since mid-September has provided support to heating oil cracks, which are now trading above US\$10/bbl, up from closer to US\$6/bbl back in September. Although both the crack and stocks have some distance to go before reaching pre-Covid-19 levels once again. The more widely followed EIA report will be released later today.

Metals

The advance in LME copper took a breather on Tuesday, with the 3M prices pulling back to an intra-day low of US\$7,010/t, after bullish sentiment sent prices to overbought territory. The red metal closed lower yesterday, while the rest of the complex managed to close higher, aided by a weaker dollar. Now with aluminium, zinc and lead looking overbought during yesterday's London sessions, a pullback in these metals is likely, in the absence of any further catalyst.

Despite record Covid-19 cases from the US and some areas of Europe, along with the latest round of lockdowns, the base metals market has largely ignored what this could mean for demand in the near-term. Instead, markets appear to be looking further ahead, with the expectation of further stimulus packages to help with the post-Covid-19 recovery.

However, iron ore is largely tracking what's happening in the Chinese market, where the Covid-19 situation is under control. SGX 62% fines continued to advance above US\$122/tonne, driven by the bullishness in the steel market, as strong data from the nation's property sector continues to bolster expectations that margins at steel mills will remain elevated and therefore supportive for iron ore demand.

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