

The Commodities Feed: The OPEC limbo

Your daily roundup of commodity news and ING views



Oil prices have sold off aggressively

Source: Shutterstock

Energy

“You’ll hear beautiful news tomorrow” – those were the comments from the new Saudi Oil Minister as he left the first day of OPEC meetings. So far there has been very little official clarity, with yesterday’s meeting dragging on into the late hours of the night. As a result, the usual press conference which follows was cancelled. Full details are expected later today, following the OPEC+ closed-door meeting.

However, reports suggest that OPEC has agreed to increase output cuts by 500Mbbbls/d. If this is the case, it will also need to be agreed by the larger OPEC+ group today. Then the bigger struggle of how these cuts will be allocated between members needs to be tackled. Unsurprisingly, this is reportedly where there has already been disagreement - all members want the group to cut, but no one really wants to carry the burden themselves.

The key question is whether these reported cuts will actually reflect fresh cuts, and so help to reduce the surplus in 1Q20, or whether they will just formalise the over-compliance that we have seen from the group as a whole (thanks to Saudi Arabia). Obviously, if it is the latter, the market will be disappointed, as this will do little to eat into the surplus over the first quarter. This appears to be being reflected in early morning trading today, with both ICE Brent and NYMEX WTI lower.

Metals

After a volatile start to the week, LME metal prices were relatively range-bound yesterday with the market awaiting further news on trade discussions. LME aluminium retreated a little over 0.6% yesterday, as a falling physical premium in Japan signalled falling demand for the metal due to uncertainty over the US/China trade deal and the ongoing slowdown in the automobile sector.

Bloomberg reported that at least one Japanese buyer finalised a quarterly premium for 1Q20 at US\$83/t (down 14% QoQ). Spot physical premiums continue to trade at a 1-year low of US\$65.5/t. On the other hand, the LME aluminium forward curve has traded deeper into backwardation this month, with the cash/3M spread increasing to a 1-year high of US\$23/t earlier in the week - although it has weakened to a backwardation of US\$4.50/t currently.

Looking at the week ahead, China's trade data (headline data) is due to be released over the weekend. The market will be watching this release, including iron ore imports, for more hints on the current demand picture from the steel sector. Meanwhile, exports of aluminium products also remain crucial to watch. These have been slowing over the last couple of months, sending worrying signals about future demand.

Daily price update

	Current	% DoD ch	%YTD ch		Current	% DoD ch	%YTD ch
ICE Brent (US\$/bbl)	63.39	0.62	17.83	Spot Gold (US\$/oz)	1,476.0	0.10	15.09
NYMEX WTI (US\$/bbl)	58.43	0.00	28.67	Spot Silver (US\$/oz)	17.0	0.66	9.50
ICE Gasoil (US\$/t)	584	0.78	14.24	LME Copper (US\$/t)	5,888	0.05	-1.29
NYMEX HO (Usc/g)	193	0.53	15.00	LME Aluminium (US\$/t)	1,747	-0.63	-5.36
Eurobob (US\$/t)	564	0.57	17.64	LME Zinc (US\$/t)	2,234	-0.53	-9.44
NYMEX RBOB (Usc/g)	162	1.05	22.47	LME Nickel (US\$/t)	13,275	1.18	24.18
NYMEX NG (US\$/mmbtu)	2.43	1.17	-17.45				
TTF Natural Gas (EUR/MWh)	15.42	-2.94	-29.87	CBOT Corn (Usc/bu)	366	-0.88	-2.53
				CBOT Wheat (Usc/bu)	532	-0.56	5.71
API2 Coal (US\$/t)	57	-1.12	-32.29	CBOT Soybeans (Usc/bu)	884	0.71	0.20
Newcastle Coal (US\$/t)	68	-0.58	-32.64	ICE No.11 Sugar (Usc/lb)	13.08	0.15	8.73
SGX TSI Coking Coal (US\$/t)	144	-0.51	-32.02	ICE Arabica (Usc/lb)	124	2.78	21.70
SGX Iron Ore 62% (US\$/t)	86.85	-0.06	25.02	ICE London Cocoa (GBP/t)	1,982	0.51	12.23

Source: Bloomberg, ING Research

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>.