

The Commodities Feed: US Gulf faces another storm

Your daily roundup of commodity news and ING views



Energy

Oil was under further pressure yesterday, with ICE Brent trading below US\$41/bbl.

Rising Covid-19 cases and the implementation of restrictions in certain parts of the globe has clearly raised concerns over the recovery in oil demand. Even the OPEC secretary-general yesterday acknowledged that the recovery for oil may take longer given the latest Covid-19 wave. There is still some time until the OPEC meeting at the end of November, however, if there is little improvement in the demand picture, there will likely be growing pressure on OPEC+ to rollover current cuts into next year.

Developments in Libya will only add further pressure, with the country returning quicker than expected, and current reports suggest that the country is pumping around 690Mbbbls/d. The country has now lifted the last of the force majeure following the export blockade, which crippled the country's oil output for much of the year.

This morning though the market is finding some support, with a weaker USD, along with possibly the fact that there is yet another storm in the US Gulf of Mexico (GOM). Hurricane Zeta has already seen offshore platforms in the US Gulf Coast shutting. According to the Bureau of Safety and

Environmental Enforcement almost 294Mbbbls/d of oil production is shut-in, which is equivalent to almost 16% of US GOM production. Meanwhile, 6% of US GOM natural gas output has been shut. Given the trajectory of the storm, we are likely to see further production shut in the coming days. While this may offer some support to the market as we move through the week, clearly the focus is likely to remain on Covid-19 developments.

Finally, the API is scheduled to release US inventory numbers later today, and expectations are that crude oil inventories increased by around 1.1MMbbbls over the last week. The impact from Hurricane Delta should be less reflected in these numbers, with the bulk of offshore production having returned over the period.

Metals

Rising virus fears along with fading US stimulus hopes weighed heavily on metal markets. Meanwhile, news reports that China imposed limits on six more US-based media organisations added to the bearish sentiment. LME 3M copper traded briefly below US\$6,760/tonne on Monday, down from a recent high of US\$7,034/tonne last Wednesday.

On the mining side, there are reports that BHP scrapped expansion plans for the Olympic Dam copper mine, the idea was to boost copper production from 200kt to 300kt, as well as to increase the output of several by-product metals, including gold, silver and uranium. Also, Peru's Las Bambas copper mine shipments are back to normal, after going through a week of disruption. Last week, trucking of copper concentrate was disrupted as local communities blocked the main road; however, flows returned to normal on 23 October. The mine witnessed similar disruptions at the start of the year, prior to Covid-19 related output curbs. For the current year, the mine now expects production to be in the range of 305-315kt, due to the continued operational uncertainty. This compares to its previous output guidance of 350-370kt.

Meanwhile, gold premiums in India reached their highest level in three months last week, as jewellers increased their yellow metal stocks in hopes of a seasonal uptick in consumer demand. Premiums of US\$5/oz over official domestic prices were charged by dealers last week, which compares to US\$1/oz premium a week earlier.

Agriculture

In its monthly crop monitoring report, the European Commission lowered yield forecasts for the majority of crops this season due to excessive rains in late September and early October following a very dry summer. Wet weather has delayed the ongoing harvesting process of summer crops and the sowing process of winter crops, which could weigh on crop progress over the coming months. The Commission has lowered its corn yield forecast to 7.42t/ha compared to its September forecast of 7.83t/ha. The European Commission also revised lower its sugar beet yield estimates from 73t/ha to 72.5t/ha.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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