The Commodities Feed: US stimulus hopes support the complex

Your daily roundup of commodity news and ING views

Energy

Having rallied yesterday, on growing hopes for a US stimulus deal, oil has come under a bit of pressure once again in Asian morning trading. Numbers from the API overnight showed that US crude oil inventories increased by 584Mbbls over the last week. This is a bit of a surprise given that we would have still seen some offshore US Gulf of Mexico production shut in over the period as a result of Hurricane Delta. The more widely followed EIA data will be out later today, and the market is still expecting this to show a drawdown in crude oil inventories over the last week. The more positive number from the API was the change in distillate fuel oil inventories, which fell by 5.98MMbbls over the last week. While this may be just playing catch-up with the big draw the EIA reported last week, if we were to see further sizeable draws in distillates, it would offer some much needed relief to the middle distillates market, with the lack of jet fuel demand still weighing on middle of the barrel products.

Meanwhile, following the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting on Monday, there has been increased noise around what OPEC+ may do when it comes to output cuts over 2021. According to Reuters, the Russian energy minister yesterday said that it is too early to decide on oil production for next year, given the uncertainties the market is facing at the moment.

This is obviously not helped by the resurgence in Covid-19 cases that we have seen more recently. At the moment, OPEC+ are set to ease production cuts from 7.7MMbbls/d to 5.8MMbbls/d on 1 January. However given the uncertainty over the demand outlook, it is difficult to know if the market will be able to absorb this additional supply. Any decision to scrap the easing in cuts will likely be made at the OPEC+ meetings on the 30 November and 1 December.

Metals

Base metals, with the exception of aluminium continued their upward rally yesterday, with LME copper surpassing the US$6,900/t mark for the first time since June 2018, with growing optimism over a US stimulus agreement.

The International Copper and Study Group (ICSG) expects global copper mine production to decline by about 1.5% in 2020, for a second consecutive year, predominantly due to Covid-19 related disruptions, especially in Peru. However, the group expects mine output to recover by 4.5% in 2021, with the help of supply increases from recently commissioned mines and expansions, along with obviously rising output from the constrained levels seen this year. Global refined copper output is expected to increase by 1.5% in 2020 and next year as well, whilst global consumption is expected to remain unchanged in 2020 and grow by 1.1% next year. The group anticipates the global copper market to encounter a supply deficit of 50kt for the current year, and forecasts a surplus of 70kt for 2021. In the secondary market, China Solid Waste and Chemicals Management Bureau issued the thirteenth batch of scrap import quotas for 2020 on Friday; a total of 5.98kt of copper scrap will be allowed to enter China. The latest agreed scrap import quota is much lower than the previous quota of 136.34kt of copper scrap. YTD total scrap quota allowances now stand at 885kt.

Looking at aluminium, LME data shows that exchange inventories jumped by 14.95kt (highest daily addition since end-July) to 1.42mt yesterday, the majority of the inflows were seen in Asia.

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