

The Commodities Feed: Waiting for the OPEC+ response

Your daily roundup of commodity news and ING views



Oil prices are trading softer this morning, with further talks between the US and Iran planned for Thursday

Energy

While the oil market now has some clarity around the coordinated SPR release, there is still plenty of uncertainty around how OPEC+ may react to a number of key consumers releasing stocks onto the market. OPEC+ is set to meet on 2 December and this is when they will decide whether they stick to their plan of increasing output by 400Mbbbls/d per month or pause further supply increases to offset the SPR releases. OPEC's Economic Commission Board warned that the global oil market could see large surpluses due to these releases, particularly over the early part of next year. As usual, expect plenty of noise in the lead up to next week's OPEC+ meeting.

The latest weekly data from the EIA shows that commercial US crude oil inventories increased by 1.02MMbbls over the last week, while Cushing crude oil inventories increased by 787Mbbbls. The increase in commercial inventories was driven by a 245Mbbbls/d increase in crude oil imports over the week, whilst oil exports also fell by a significant 1.02MMbbls/d. On the product side, gasoline and distillate fuel oil inventories declined by 603Mbbbls and 1.97MMbbls respectively. Implied demand for refined products also edged higher over the week. Overall, it was a fairly neutral report from the EIA.

Metals

The Industrial metals complex ended higher yesterday, supported by renewed worries over supply tightness along with some optimism for China's real estate sector. The latest comments from a top Chinese official indicate upcoming measures to stabilize housing prices. Vice Premier Liu He said that a reasonable amount of infrastructure construction should be brought forward to boost domestic demand in the property sector.

Indonesian President Joko Widodo announced that Indonesia may stop exports of bauxite next year, copper the following year and tin in 2024. This is part of an ongoing plan from Indonesia to attract investment in downstream sectors, which would see the export of higher value semi-finished or finished products, rather than raw materials.

Operations at Boliden's Tara zinc and lead mine in Ireland were suspended on Wednesday due to increased water flows at the mine. Currently, there is no clarity on when operations may restart. The mine produced 127kt of zinc concentrate and 14kt of lead concentrate last year. Earlier this week, Glencore also announced that it would cut production at its Italian zinc smelter due to high power prices.

Agriculture

Fortnightly data from UNICA show that sugar cane crushing in Center-South Brazil dropped 38.4% YoY to 12.6mt over the first half of November 2021 with sugar production falling 49.7% YoY to 626kt. Sugar production in CS-Brazil was still slightly better than market expectations of around 390kt over the period. The sugar mix for the period was reported at 39.2% compared to 41.9% a year ago. Year-to-date sugar cane crushing in the region has fallen 11.8% YoY to 517mt, while sugar production is down 15.4% YoY to 31.8mt. UNICA reported that 75 mills were operating at the end of 1H November compared to 114 at the same stage last year.

Arabica coffee futures increased by 1.55% yesterday to settle at a fresh 5-yr high of US¢246/lb as record inventory withdrawal from exchange warehouses highlighted supply concerns. Exchange data showed that coffee inventory dropped by another 1,350 bags yesterday after falling by 70,731 bags on Tuesday. Coffee inventories at exchange warehouses have fallen by around 200k bags since the start of the current month and around 400k bags since the start of the current quarter. The supply tightness in the physical market has also pushed the coffee forward curve into backwardation with the Dec21/Mar22 spread tightening to US¢0.9/lb compared to a contango of around US¢2/lb a week ago. Robusta coffee has been relatively stable over the past few weeks, which has seen Arabica's premium over Robusta increasing to around US¢140/lb compared to c.US¢118/lb at the start of the month.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@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 www.ing.com.