

The Commodities Feed: Waiting for the OPEC+ response

Your daily roundup of commodity news and ING views



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@asia.ing.com

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