The Commodities Feed: Bearish EIA report

A bearish EIA report saw oil giving back some of its gains made earlier in the week. Meanwhile, nickel continues to come under pressure with fundamentals set to remain soft through 2024

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Energy - Large US product builds

A bearish EIA report yesterday saw the oil market giving back some of Wednesday's gains. Although, there is still plenty of tension in the Middle East with Houthi rebels launching a sea drone in the Red Sea, a US airstrike in Baghdad killed a commander of an Iranian-backed militia group, and Islamic State claimed responsibility for two explosions in Iran earlier this week.

This week's EIA release showed US commercial crude oil inventories down by 5.5MMbbls over the week, although there were large builds on the product side. Gasoline inventories increased by 10.9MMbbls and distillate stocks grew by 10.09MMbbls. US gasoline inventories have increased by more than 21MMbbls since mid-November and are back above the 5-year average. Distillate stocks have increased by a little more than 20MMbbls since mid-November, although stocks are still trending below the 5-year average. The large product builds were predominantly driven by weaker demand. Implied gasoline demand fell by 1.21MMbbls/d WoW, whilst implied distillate demand fell by 1.32MMbbls/d. The large distillates build will do little to help end the broader weakness we have seen in middle distillate cracks in recent months.

In Europe, the latest stock data from Insights Global shows that refined product inventories in ARA increased by 72k tonnes WoW to 5.07m tonnes. This increase was driven by fuel oil, with stocks increasing by 110k tonnes, while jet fuel inventories grew by 51k tonnes over the week. Gasoil stocks fell by 38kt tonnes to 1.79m tonnes, which leaves inventories still tight on a historical basis for this time of year. In Singapore, oil product stocks increased by 114Mbbls over the week to 42.67MMbbls. This increase was driven exclusively by fuel oil, with stocks increasing by 1.22MMbbls. Light and middle distillate stocks both fell over the week.

Saudi Aramco should release its official selling prices (OSPs) for February loadings soon. Expectations are that the Saudis will cut its OSP for Arab Light into Asia. This would follow a cut of US$0.50/bbl to US$3.50/bbl over the benchmark for January.

Nickel's underperformance continues into 2024

Nickel fell for a fifth straight session yesterday with prices already down more than 3% since the start of the year. The metal was the worst-performing metal on the LME last year with prices falling 45%.

One of the key drivers for nickel's underperformance has been the supply surge from Indonesia, the world's largest nickel producer. We believe rising output in Indonesia will continue to pressure nickel prices this year. Meanwhile, inventories on the LME have jumped more than 60% since November, recovering from historical lows, while stockpiles on SHFE are at a three-year high. A persistent surplus in the nickel market suggests that prices are likely to remain largely under pressure through 2024.

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