The Commodities Feed: Big drop in US gasoline stocks

Oil prices bounced higher yesterday on a constructive weekly inventory report from the Energy Information Administration

Energy – Kazakhstan oil production surges

Oil prices strengthened yesterday with ICE Brent seeing its biggest gain since the end of February, settling 2% up on the day, taking it back above US$70/bbl. A lower-than-expected increase in US crude oil inventories supported the market, while better-than-expected US consumer price inflation data also helped sentiment.

Energy Information Administration (EIA) data shows that US commercial crude oil inventories increased by 1.45m barrels over the last week. That's less than the roughly 2m barrel build the market was expecting – and below the 4.2m barrel increase the American Petroleum Institute (API) reported the previous day. Refiners increased operating rates over the week, with crude oil inputs increasing by 321k b/d. Yet despite stronger refinery activity, refined product stocks declined. Gasoline inventories fell by 5.74m barrels, while distillate stocks decreased by 1.56m barrels. Implied demand for oil products grew by 1.06m b/d week on week, with implied gasoline demand up 305k b/d. Overall, the data was constructive, especially the large drop in gasoline stocks.

OPEC's latest monthly oil market report, released yesterday, left both demand and supply estimates unchanged for 2025 and 2026. OPEC continues to forecast that 2025 oil demand will grow by 1.45m b/d year on year, while demand grows at 1.43m b/d next year. OPEC remains fairly bullish on demand, with their numbers above both the EIA and the International Energy Agency (IEA).

Meanwhile, OPEC production grew by 154k b/d MoM to 26.86m b/d in February. Nigeria and Iran were the key drivers behind this supply growth. Looking at broader OPEC+, supply grew by 363k b/d. Kazakh output surged by 198k b/d to 1.77m b/d, well above its production target of 1.47m b/d. Kazakhstan has said it will cut output in the future to compensate for this overproduction.

In natural gas, investment funds continued to cut their net long in the Title Transfer Facility (TTF) over the last week, selling 48.1TWh, leaving them with a net long of 126.7TWh. That's the smallest net long held since May 2024. The move over the last week was driven by fresh shorts entering the market, rather than longs liquidating.

Agriculture – Indian sugar production to fall

The latest estimates from the Indian Sugar and Bio-energy Manufacturers Association (ISMA) show that gross sugar output (excluding sugar diverted for ethanol production) could fall to around 26.4mt in 2024/25, That compared to its previous forecast of 27.3mt. Lower cane yields in some major producing regions were primarily responsible for the lower output estimates. Sugar allocation for ethanol production is expected to fall to 3.5mt, compared with an earlier estimate of 3.8mt. Sugar consumption might average around 28mt. The country will likely export 1mt of sugar this season. 2024/25 ending stocks are estimated at at 5.4mt.

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