

## The Commodities Feed: CPI data weighs on parts of the complex

Stronger-than-expected US CPI data put some downward pressure on large parts of the commodity complex. However, oil prices still managed to rally yesterday amid the ongoing tension in the Middle East



Source: shutterstock

### Energy – Oil up despite bearish inventory report

Oil prices rallied yesterday with ICE Brent up almost 1.2% to settle back above US\$90/bbl. This strength comes despite a somewhat bearish inventory report from the EIA, as well as a stronger-than-expected CPI report, which likely pushes the Fed's first rate cut further back. The current geopolitical environment continues to provide support to oil prices. There were media reports that the US government believes that attacks by Iran or its proxies on Israel are imminent, as a retaliation for the earlier airstrikes carried out on the Iranian embassy in Syria.

The EIA's weekly inventory report was fairly bearish with US commercial crude oil inventories increasing by 5.84m barrels over the last week, which was more than expected and also above the API's number of a 3.03m barrel build. Lower crude oil exports would have driven the stock build, with exports falling by 1.31m b/d WoW to 2.71m b/d, the lowest weekly export volume since

August last year. Lower refinery run rates would have also helped with utilisation rates falling by 0.3pp WoW. More modest stock builds were seen in products, with gasoline and distillate inventories increasing by 715k barrel and 1.66m barrels respectively. Weaker implied demand over the week would have helped drive product inventory builds with total refined products demand falling by 2.06m b/d WoW. Gasoline made up a large share of this, with its demand falling 624k b/d WoW.

On the calendar today, OPEC will release its latest monthly oil market report, which will include its latest outlook on the market for the remainder of this year and 2025. In addition, the report will include March production numbers for OPEC members. For natural gas, the EIA will release its weekly US inventory report today. The market expects that US natural gas inventories increased by around 13Bcf over the last week, compared to a 5-year average increase of 24Bcf for the same period. Last week's report showed that storage was 23% higher than year ago levels and also 38.9% above the 5-year average.

## Metals – CPI data weighs on the complex

Gold prices declined while copper prices halted their upward rally yesterday following a stronger-than-expected US inflation report. The dollar index rose sharply while treasury yields moved higher on rising expectations of a likely delay in the Federal Reserve interest rate easing cycle. Swap traders are now pricing just two rate cuts by year-end, compared with three cuts forecasted by policymakers in the March meeting.

A recent survey from the Shanghai Metals Market (SMM) showed copper cathode production rising 5% YoY (+5.2% MoM) to 999.5kt in March with many smelters increasing production while the number of production days also increased compared to February. Cumulatively, copper output rose 7.6% YoY to 2.9mt in the first three months of the year.

Chinese primary aluminium production rose 4.2% YoY to 3.6mt last month as smelters in Yunnan province began to resume production. SMM said that smelting capacity in Yunnan had reached 4.74mt/year as of 9 April, up 5.6% MoM. Existing aluminium capacity in China totals about 45.2mt, while operating capacity stands at around 42.1mt (with operating rates growing by 4.4% YoY to 93%). Meanwhile, China's refined zinc output fell 5.6% MoM to 525.5kt, while primary lead production was down 9% MoM to 293.7kt last month.

## Agriculture – WASDE release

The USDA is scheduled to release its monthly WASDE report later today. The market expects the agency to increase its US soybean ending stocks by 4m bushels to 319m bushels while trimming its corn ending stock estimates by 63m bushels to 2,109m bushels. Turning to global supply, the agency is expected to revise its Argentina corn and soybean output estimates slightly to 55.8mt (-0.2mt) and 50.4mt (+0.4mt) respectively. Meanwhile, Brazilian corn and soybean production estimates are expected to be trimmed to 122.6mt (-1.4mt) and 152.3mt (-2.7mt) respectively. Global ending stocks for corn are expected to decline from 319.6mt estimated in March to 317.1mt, while soybean ending stock estimates are expected to fall to 113.8mt from 114.3mt.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@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](http://www.ing.com).