

## The Commodities Feed: CPI numbers weigh on complex

Commodities came under pressure yesterday with US CPI numbers calling into question whether the Federal Reserve is done with its current hiking cycle. For oil, the market will be keeping an eye on today's OPEC report



### Energy: US CPI weighs on energy complex

Oil's four-day streak of gains finally came to an end yesterday with ICE Brent settling more than 1.3% lower on the day. This was part of a broader move with most of the commodities complex coming under pressure. US CPI numbers probably raised some doubts over whether the Fed's hiking cycle is truly over. The headline CPI number in April increased by 0.4% month-on-month and 4.9% year-on-year. [As our US economist points out](#) we need to see MoM prints averaging around 0.17% over time in order to bring inflation down to around 2%.

The EIA weekly inventory reports would have also done little to help sentiment. US commercial crude oil inventories increased by 2.95MMbbls over the last week, slightly lower than what the API reported the previous day, but still above market expectations. In addition, crude inventories at Cushing edged up by 397Mbbls. Product numbers were more constructive with gasoline and

distillate fuel oil inventories falling by 3.17MMbbls and 4.17MMbbls, respectively. Implied demand was also stronger over the week, driven by gasoline, which increased by 685Mbbls/d week-on-week. As a result, four-week rolling average gasoline demand is just short of 9MMbbls/d, but above levels seen at the same stage in both 2021 and 2022.

In recent days there has also been somewhat of a recovery in middle distillates. For much of the year, a weaker middle distillates complex has weighed heavily on refinery margins. However, gasoil cracks have once again been trending higher since the beginning of May. However, with the ICE gasoil crack trading at a little over US\$16/bbl, it is still well below the more than US\$45/bbl seen back in January. It is also worth pointing out that speculators hold a sizeable short position in ICE gasoil. Positioning data from last week shows that speculators hold a net short of 32,542 lots, after selling 31,857 lots over the week. This selling has been largely fresh shorts rather than longs liquidating and so any sustained strength in gasoil prices could force these relatively fresh shorts to run to cover.

OPEC will release its latest monthly market report later today, which will include April production numbers for the group, as well as OPEC's latest outlook for the market. In last month's report, OPEC forecast 2023 oil demand growth at 2.32MMbbls/d, of which 94% is expected to be driven by non-OECD countries.

## Metals: Chinese origin LME copper inventories grow

China is now the largest source of copper stored in LME warehouses, surpassing Russia, according to the latest report from the exchange. Volumes of copper originating from China rose to 26,675 tonnes in April, up from 15,575 tonnes in March, whilst copper of Russian origin rose slightly to 23,200 tonnes, from 22,275 tonnes in March. China has seen a sizeable increase in refined copper exports over the last couple of months, suggesting that domestic demand is not as strong as many were expecting. Meanwhile, LME copper cancelled warrants fell to 225 tonnes yesterday – the lowest on record, signalling weakening consumer demand. In other metals, Russian aluminium stocks stood at 256,125 tonnes in April, from 220,575 tonnes in March. India was the second largest source of LME aluminium at 228,800 tonnes.

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