The Commodities Feed: Crude continues its rally

Brent has broken above US$82/bbl. Falling US crude oil stocks and uncertainty over Russian oil supply following US sanctions, continues to support prices

Source: Shutterstock

Energy – US crude stocks fall

Oil prices continued their move higher yesterday with ICE Brent breaking above US$82/bbl and trading to its highest level since August 2024. This is despite Israel and Hamas appearing to have reached a ceasefire, although the Israeli Prime Minister's office has said that details still need to be finalised. US CPI data would have been supportive for the oil market and risk assets in general. Core inflation for December came in lower than expected.

The oil market continues to be focused on the uncertainty around Russian oil supply following the announcement of stricter US sanctions against the Russian energy sector. In addition, tighter US crude oil stocks will be supportive. EIA data yesterday showed that US commercial crude oil inventories fell by 1.96m barrels, which leaves inventories at a little under 413m barrels, the lowest level since March 2022. The decline over the last week was driven by crude oil imports falling 304k b/d WoW and exports rising by 1m b/d WoW. For refined products, despite refinery utilisation falling by 1.6pp over the week, gasoline and distillate stocks still increased by 5.85m barrels and 3.08m barrels respectively.

Colonial Pipeline's line 1 is set to remain closed until Friday. The pipeline, which carries around 1.5m b/d of gasoline from the US Gulf Coast to the East Coast was shut earlier in the week following a leak, offering some support to gasoline.

Yesterday both the IEA and OPEC released their monthly oil market report. The IEA warned of potential supply disruptions following the latest US sanctions on the Russian energy sector, while the agency also revised higher its demand growth forecasts on the back of colder weather across the northern hemisphere. The IEA estimates that 2024 oil demand grew by 940k b/d, up by 90k b/d from its previous estimate. Meanwhile, 2025 demand is expected to grow by 1.05m b/d.

In its monthly report, OPEC decided to leave its demand growth estimate for 2025 unchanged at 1.45m b/d YoY, while in its first forecast for 2026, the group expects demand next year to grow by 1.43m b/d YoY. The group also left its supply growth estimates unchanged for non-OPEC+ members at 1.11m b/d for 2025, while for 2026, supply is expected to grow by a similar amount. OPEC production saw marginal growth in December, increasing by 26k b/d MoM to 26.74m b/d. Meanwhile, total OPEC+ production fell by 14k b/d to 40.65m b/d – driven by lower output from Kazakhstan. OPEC numbers suggest that demand for OPEC+ crude in 2025 is 42.5m b/d and 42.7m b/d in 2026.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com