

## The Commodities Feed: Fed hikes

The Fed's decision to hike by 25bp was largely priced into markets, which allowed the more constructive EIA data to drive the oil market higher



### Energy- Large US product draws

The oil market saw a further recovery yesterday. ICE Brent settled more than 1.8% higher on the day, whilst WTI managed to settle above US\$70/bbl for the first time in a week. The Fed's decision to hike rates by 25bp was the most priced-in outcome and so, as a result, provided little in the way of surprises to the market. Price action is weaker in early morning trading today, not helped by comments from US Treasury Secretary, Janet Yellen, who said that the government was not looking at providing blanket deposit insurance following recent developments in the banking sector.

Weekly EIA data was constructive. US crude oil inventories increased by 1.12MMbbls over the last week. However, there were fairly large declines in refined product stocks. Gasoline and distillate fuel oil inventories fell by 6.4MMbbls and 3.31MMbbls respectively. These large product draws were on the back of stronger domestic demand, while refined product exports were also stronger over the last week. At a little under 230MMbbls, US gasoline stocks are at their lowest level for this time of year in at least 5 years. As for distillate stocks, whilst they look more comfortable than last year, historically they are still relatively tight.

## Metals – China to cut steel production

China is considering reducing its steel production by about 2.5% this year amid its existing policy to curb emissions. The target was proposed by officials at a meeting last week. Meanwhile, authorities in the Tangshan region have already asked steel makers in the region to adjust their output as per the regulations, after an orange alert was issued on 20 March. This would likely add further pressure on raw material prices. The most active SGX iron ore contract slipped below US\$120/t for the first time in six weeks yesterday as Chinese steel demand disappointed despite peak construction season starting soon. As per the latest estimates from Mysteel, ten steel mills in China have lowered their prices of steel products.

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