

## 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.

### Authors

#### 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 <http://www.ing.com>.