The Commodities Feed: First US crude draw this year

The EIA reported the first weekly decline in US crude oil inventories for the year. However, the market paid little attention to this, with all focus on Fed Chairman Jerome Powell

Source: Shutterstock

Energy - US crude stocks fall

Oil prices settled lower yesterday despite EIA weekly numbers showing the first draw in US crude oil inventories this year. Instead the market appears more focused on the Fed, following Jerome Powell's hawkish testimony this week.

US commercial crude oil inventories fell by 1.69MMbbls over the last week according to the EIA. This is the first decline in stocks since mid-December. The draw was largely in line with market expectations. Cushing crude oil inventories also fell for the first time this year, declining by 890Mbbls. There were fairly small changes on the products side, with gasoline inventories declining by 1.13MMbbls, while distillate fuel oil inventories edged up by 138Mbbls. This leaves US distillate stocks at a little over 122MMbbls - their highest levels since January 2022, but still below the 5-year average for this time of year. Total implied demand was weaker over the period, falling by 1.36MMbbls/d to 19.05MMbbls/d.

Freeport LNG in the US has received approval to restart its third and final production train. And it is expected that production at the export plant will return to normal in the coming weeks. Sticking with LNG, strike action in France has affected energy infrastructure in the country, including the stoppage of operations at four LNG terminals. This has done little to support the market, with TTF still settling lower yesterday.

Metals – LME aluminium on-warrant stocks decline

LME on-warrant aluminium stockpiles fell by 9,950 tonnes to 442,850 tonnes, the biggest fall since 3 February, according to the latest data from the exchange. Most of the outflows were reported from warehouses in Malaysia and Singapore. Cancelled warrants for aluminium rose by 6,325 tonnes (after declining for two consecutive sessions) to 111,450 tonnes as of yesterday, signalling potential further outflows. Exchange inventories for the metal declined for the third straight session by 3,625 tonnes to 554,300 tonnes as of Wednesday.

Nickel output in the Philippines fell 11% YoY to 29.3mt in 2022 with lower production from most mining projects, according to data from the Mines and Geosciences Bureau..

In precious metals, the World Platinum Investment Council forecasts the global platinum market deficit to widen to 556koz in 2023 following higher demand from the automotive sector and limited supplies. This compares to a previous estimate of a supply deficit of 303koz for the current year. Total consumption is expected to rise by 24% YoY to 7.98moz, whilst global supply is forecast to increase by only 3% YoY to 7.43moz in 2023. Investment demand is expected to increase significantly this year, whilst automotive demand is expected to grow by 10% YoY and industrial demand is expected to increase by 12% YoY.

Agriculture - Argentine crop downgrades

The USDA increased estimates for US 2022/23 corn ending stocks from 1.27b bushels to 1.34b bushels on the back of softer exports. This was slightly higher than the roughly 1.3b bushels the market was expecting. For the global corn balance, 2022/23 ending stocks were increased from 295.3mt to 296.5mt. This is higher than the little more than 293mt expected. Argentina saw further declines in output estimates with hot and dry weather seeing the domestic crop cut by 7mt to 40mt.

For soybeans, the USDA lowered its US 2022/23 ending stock estimates from 225m bushels to 210m bushels (the lowest in seven years) with stronger exports offsetting lower consumption. The market was expecting an ending stock number closer to 220m bushels. Meanwhile, the global soybean balance saw production revised lower, which was driven by Argentina. The Argentine soybean crop was cut by around 8mt to 33mt. These supply losses were partially offset by weaker demand. However, 2022/23 global ending stocks were still cut from 102mt to 100mt , which was in line with market expectations.

For wheat, the WASDE was fairly neutral. US 2022/23 ending stocks were left unchanged at 568m bushels. Although the market was expecting a number of around 573m bushels. The global market saw 2022/23 ending stocks cut from 269.3mt to 267.2mt, despite expectations for slightly larger output (largely Australia). The lower ending stock number was due to a combination of slightly higher demand and revisions to the stock number at the beginning of the marketing year. The market was expecting ending stocks to be left largely unchanged.

Authors

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

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Disclaimer