

## The Commodities Feed: Further progress with Iranian nuclear deal

A large decline in US crude oil inventories has supported prices, while the market continues to wait for further detail on how Iranian nuclear talks are progressing



### Energy- hefty US crude draw

EIA numbers released yesterday were fairly constructive. US commercial crude oil inventories fell by 3.28MMbbls over the last week. However, when taking into account releases from the strategic petroleum reserve, total US crude oil inventories declined by a significant 11.37MMbbls. While crude oil exports fell by 823Mbbbls/d over the week to 4.18MMbbls/d, these historically are still fairly strong flows. In fact, when looking at total oil and product exports over the week, they hit a record 11.08MMbbls/d, due to strong product exports. Gasoline inventories saw a marginal decline of 27Mbbbls, while distillate fuel oil stocks fell by 662Mbbbls. We are in a period where we should be seeing distillate stocks building. Instead, the gap to the 5-year average continues to grow. Total US distillate stocks are around 35MMbbls below the 5-year average. This tightness in middle distillates is something that we continue to see in all regions around the world. The one bearish factor from the EIA release was implied demand. Total implied demand for products fell by 1.88MMbbls/d over the week, while gasoline demand declined by 914Mbbbls/d.

There was further progress on the Iranian nuclear deal yesterday. The US finally replied to the EU's proposal for reviving the deal. And while clearly, negotiations appear to be moving in the right direction, the US has said that "we're not there yet" and that there are still "gaps" that remain. We

are currently not assuming an increase in Iranian supply in our balance sheet, and so a deal would mean the need for us to make revisions to our current price forecasts.

## Metals – aluminium stocks jump higher

LME aluminium yesterday gave up much of the gains made earlier in the day after a sudden jump in LME inventories was reported. The latest data from the LME shows that aluminium stocks jumped by 10.6kt - the largest daily increase since 10 February. The majority of the inflows were reported at Malaysia's Port Klang warehouses.

The latest monthly update from the International Copper and Study Group shows that the supply deficit for copper stood at 66kt in June, compared to a deficit of 34kt in the previous month. Over the first half of the year, the market was in a deficit of 72kt, compared to a deficit of 130kt during the same period last year. Global mine and refined production increased by 3%YoY and 3.2%YoY respectively, while overall apparent consumption over the same period grew by 2.7%YoY.

## Agriculture – grains benefit from adverse weather conditions

CBOT grains have been trading firm this week as weather and crop reports from China and the US added to supply concerns. Weather reports show that China has witnessed severe heatwaves over the past few weeks which could negatively impact crop production for the current season. China's National Meteorological Services warned again of high temperatures and drought in large parts of the country, with the government issuing notices to several provinces to use water resources conservatively. Similarly in the US, dry and hot weather was seen impacting corn yields, especially in the Midwest region.

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