

Article | 27 June 2024

COMMODITIES DAILY

# The Commodities Feed: Gasoline demand concerns linger

While Brent settled marginally higher yesterday, there will be concern following the EIA weekly report of weaker gasoline demand as we move deeper into the summer driving season



## Energy - US gasoline demand worries

ICE Brent edged higher yesterday despite a bearish EIA report. EIA data showed that US commercial crude oil inventories increased by 3.59m barrels over the week, which was quite different to the 2.8m barrel draw the market was expecting. This leaves commercial crude oil inventories at 460.7m barrels, the highest level since April. While crude oil exports fell by 508k b/d WoW, imports also fell by 443k b/d. Crude input into refineries fell by 233k b/d WoW and refiners cut their utilisation rate by 1.3pp over the week. Despite lower refinery activity, gasoline stocks still increased by 2.65m barrels. Implied gasoline demand was weaker over the period, falling 417k b/d WoW. This will not help ease gasoline demand concerns as we move deeper into the summer.

The Dallas Fed released its latest quarterly energy survey yesterday, which showed that the activity index for the oil and gas sector rose in the second quarter to 12.5 from 2 in the previous quarter. According to executives from exploration and production (E&P) firms, oil and gas production was little changed over the quarter. The oil production index increased from

-4.1 in the previous quarter to 1.1 in 2Q24, while the natural gas production index increased from -17 to 2.3. Costs for E&P firms increased at a slower pace but rose at a faster pace for oilfield services. The finding and development costs index for E&P firms slowed from 24.2 to 15.7, while the input cost index for oilfield services firms increased from 31.2 to 42.2.

The 650k b/d Dangote refinery in Nigeria is reportedly still operating normally despite a fire at the refinery this week. The refinery started operations at the start of this year and is still in the process of ramping up. The refinery will not only increase middle distillate export supply, but will also help reduce the gasoline deficit faced in West Africa, reducing the need for gasoline imports from Europe.

European natural gas prices sold off yesterday. TTF settled 2.95% lower on the day. Stronger flows from Norway would have helped. Flows have averaged a little over 335mcm/day in recent days, which is the highest level since mid-June. Storage in Europe also continues to increase, standing at 76% full, broadly in line with levels seen at the same stage last year and above the 5-year average of 66%. However, investment funds continued to build their net long in TTF over the last reporting week, increasing their net long by 2.3TWh to almost 131TWh. This is the third consecutive week of buying and leaves the position at its largest since January 2022.

The EIA will release its weekly natural gas storage report for the US today. The market expects around a 54bcf increase in storage over the week, which is quite some distance below the 5-year average of an 85bcf increase.

### **Metals – Steel inventories in China continue to rise**

Steel inventories at major Chinese steel mills rose for a second consecutive week to 16.4mt in mid-June, up 2.1% compared to early June, according to data from the China Iron and Steel Association (CISA). Steel inventories are 1.3% higher than in the same period last year. Meanwhile, crude steel production at major mills fell by 2.8% from early June to 2.19mt/d in mid-June.

Iron ore prices are down 22% so far this year as demand in the biggest consumer, China, continues to face headwinds from the property sector while the global seaborne market remains in a surplus. In addition, high port inventories in China continue to pressure iron ore prices. Port stocks in China jumped to a two-year high last month. We believe high iron ore availability in China will continue to put pressure on prices. Downside risks are likely to prevail in the near term amid subdued steel demand. A further boost for China's property sector will be crucial in supporting iron ore demand.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@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 [www.ing.com](http://www.ing.com).