

## The Commodities Feed: Large US oil stocks build

Oil prices are little changed this morning as a bearish EIA inventory report weighed on the OPEC+ supply cut expectations. In metals, Indonesia expects nickel prices to remain under pressure with fundamentals set to remain soft through 2024



### Energy – Oil trades in a narrow range

Both ICE Brent and NYMEX WTI continue to trade in a narrow range this morning as another week of inventory build in the US outweighed the strength in the timespreads and expectations of supply cut extension by the OPEC+.

Yesterday's EIA's weekly US inventory report was bearish for the oil market. US commercial crude oil inventories (excluding SPR) increased by 4.2MMbbls for the week ending 23 February. The market was anticipating an increase of around 2.6MMbbls, while API reported a build of 8.43MMbbls. This was the fifth consecutive week of additions, with US oil inventories reaching the highest levels since November as refinery runs are still seasonally the lowest since 2021. When factoring in the SPR, the build was even higher, with total US crude oil inventories increasing by around 4.9MMbbls. Total US commercial crude oil stocks now stand at 447.2MMbbls, still around 1% below the five-year average. Meanwhile, oil inventories at Cushing, Oklahoma increased by

1.5MMbbls to 30.9MMbbls. Crude oil exports from the US decreased by 0.24MMbbls/d to around 4.73MMbbls/d while imports also fell by 0.3MMbbls/d to around 6.4MMbbls/d.

As for refined product inventories, gasoline inventories fell by 2.83MMbbls, against a forecast for a drawdown of 2.35MMbbls. Distillate stockpiles fell by 0.5MMbbls last week, lower than the expectations for a decline of 2.4MMbbls. Refineries operated at 81.5% of their capacity, slightly up from 80.6% in the previous week, but 4.3% lower than the same period last year.

The latest estimates from China National Petroleum Corporation (CNPC) show that the oil demand growth in the country could slow down significantly in 2024 due to a lack of post-pandemic recovery and increasing dependency towards new energy vehicles that would increase fuel switching. The corporation now expects Chinese oil demand to grow by a modest 1% to 764mt (around 15.3MMbbls/d), the lowest demand growth forecast in at least a decade excluding the COVID-19-affected period.

## Metals – Indonesia expects nickel prices to underperform

Indonesia, the world's largest nickel exporter, doesn't expect any meaningful recovery in nickel prices – at least in the near term, as government officials told Bloomberg in an interview. The country said it will ensure a stable supply of battery metals to keep costs lower for electric vehicle manufacturers, with LME prices not expected to rise much above \$18,000/t. If prices fall below \$15,000/t, Indonesian smelters would be forced to cut production, the officials said. The Indonesian government would continue its efforts to keep nickel prices contained to remain competitive with other lower-cost alternatives including lithium iron phosphate for the EV sector.

Nickel was the worst performer on the LME last year, with prices falling 47%. One of the key drivers has been the supply surge from Indonesia. Indonesia's supply boom has already forced several mines to close. Since the start of the year, the nickel market has seen a number of announcements regarding mine suspensions and closures from producers struggling amid low nickel prices. At current levels of around US\$17,500/t, at least half of the global nickel operations remain unprofitable. Despite the recent mine supply cuts, rising primary nickel output from Indonesia will keep the market in surplus this year, marking the third consecutive year of excess supply. We forecast nickel prices to remain under pressure in the short term as a surplus in the global market builds and a slowing global economy mutes stainless steel and EV demand.

## Agriculture – ISO raises global sugar deficit estimates

In its latest report, the International Sugar Organisation revised up its 2023/24 global sugar deficit estimate to 689kt, higher than the previous deficit forecast of 335kt. The revision in the estimates was primarily due to increased demand forecasts, while supply is expected to fall. The organisation expects global production to decrease from 179.9mt to 179.7mt for the year. The higher output estimates in Brazil would be largely offset by a reduction in Thailand's production. In contrast, the group expects global consumption to increase to 180.4mt in 2023/24, up by 0.2mt from its previous estimate.

The General Statistics Office of Vietnam released trade volume estimates for February showing that coffee exports stood at 160kt primarily due to the supply shortages in the domestic market, down from 210kt in January and 180kt reported a year ago. Meanwhile, cumulative coffee exports in the country are expected to have increased by 16.2% YoY to 398kt in the first two months of the year.

Recent estimates from the Brazilian Association of Vegetable Oil Industries (ABIOVE) show that soybean production in the country could drop to 153.8mt in 2024, down 1.5% from its previous estimates. The decrease is driven by expectations that yields will fall from 3.6kg/ha in 2023 to 3.4kg/ha in 2024. Similarly, soybean export estimates decreased from 98.1mt to 97.8mt, while ending stock estimates were also revised down by 30% to 4mt at the end of 2024.

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