

# The Commodities Feed: Oil risk premium eases

Crude oil traded little changed this morning as geopolitical risks continue to ease. Meanwhile, a constructive API report failed to lift sentiment



Source: iStock

## Energy – Bullish API report fails to lift sentiment

Sentiment in the oil market remains soft, with prices for both ICE Brent and NYMEX WTI trading flat in the early trading session today. The reduced premium for geopolitical risks overshadowed bullish inventory numbers by the American Petroleum Institute (API). In contrast, oil timespreads continue to tighten with Brent prompt spread backwardation expanding to US\$1.04/bbl as of today, compared to a backwardation of US\$0.69/bbl a week ago. Meanwhile, the US Senate approved the bill last night which would expand sanctions to include foreign ports, vessels, and refineries that knowingly process or ship Iranian crude in violation of existing US sanctions.

Numbers released by the American Petroleum Institute (API) overnight show that US crude oil inventories have decreased by 3.23m barrels over the last week, in contrast to the average market expectations for a build of 1.3m barrels. The API also reported that Cushing crude oil stocks fell by 0.9m barrels. On the products side, gasoline inventories decreased by 0.59m barrels, while

distillate stocks increased by 0.72m barrels over the week. The more widely followed EIA report will be released later today.

Russia's Economic Ministry expects crude exports to reach 240mt (c.4.82m barrels) this year, slightly higher than 238mt of exports seen last year. The flat exports for the year are primarily due to the country's agreement to extend production cuts following the OPEC+ plan to balance the oil market. The production cuts will last until the end of the year. Post that Russia could increase its overseas shipments gradually to 247mt in 2025 and 257mt a year after.

Meanwhile, data from Mysteel OilChem shows that Chinese refiners and fuel suppliers plan to boost their oil product exports in May. It is estimated that the country could increase exports by 6.5% month-on-month and 26% year-on-year to 3.53mt next month.

## Metals – Global steel production falls

The latest data from the World Steel Association (WSA) shows that global steel production declined 4.3% YoY to 161.3mt in March, following lower output from major producing countries like China and Japan. Cumulatively, global steel output remained almost flat at 469mt over the first three months of the year. Chinese steel production decreased 7.8% YoY to 88.3mt last month, while cumulative output fell 1.9% YoY to 256.6mt in Jan'24-Mar'24. Meanwhile, output in Japan declined by 3.9% YoY to 7.2mt, while year-to-date output fell almost 1% YoY to 21.5mt in the first quarter of the year.

In copper, Chile has revised down its copper production growth estimates to 5.51mt in 2024, compared to its previous forecast of 5.63 made in January. However, the revised forecast is still 5% higher than last year's level, primarily due to the expansion at the Quebrada Blanca mine and as BHP's Escondida mine increases output. For 2025, Chile said its copper output would continue to expand and is expected to rise by 6% YoY to 5.84mt.

The latest COTR report released yesterday shows that investors boosted net bullish positions for aluminium by 2,614 lots for a seventh consecutive week to 138,600 lots for the week ending 19 April, the highest bullish bets since 20 November 2020. Similarly, net bullish bets for zinc rose by 4,214 lots for a third straight week to 41,551 lots (the highest since the week ending 29 October 2023) at the end of last week. Meanwhile, money managers increased net bullish bets for copper by just 315 lots after reporting a decline for two consecutive weeks to 84,263 lots as of last Friday.

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