The Commodities Feed: Oil trading under pressure

The oil market traded under pressure after rising for three consecutive sessions as the latest inventory numbers from the American Petroleum Institute (API) remain largely bearish. The market awaits monthly reports from OPEC and the IEA to further assess the market

Energy – API reports a large build of oil inventory

The oil market is trading with marginal declines this morning as the API numbers released overnight were largely bearish for the oil market. The institute reported that US crude oil inventories increased by 9.04m barrels over the last week, compared to the market expectations of a build of 2.5m barrels. If confirmed by the Energy Information Administration (EIA), this would be the biggest inventory build in a year. On the other hand, API reported large product inventory draws, with gasoline and distillate stocks falling by 2.5m barrels and 0.6m barrels respectively. The more widely followed Energy Information Administration (EIA) report will be released later today.

Yesterday, the EIA released its latest Short-Term Energy Outlook, in which it forecasts 2025 US crude oil production to grow slightly by 40k b/d YoY to average a record of 13.59m b/d. Meanwhile, for 2026, the EIA expects a stronger supply growth of a little over 100k b/d YoY, which would see output averaging 13.73m b/d. This ties in with the recovery in drilling activity we have seen in recent weeks. The number of active oil rigs in the US increased by one over the week to 480.

Recent reports suggest that oil refinery runs in Russia fell in early February as drone attacks by Ukraine curtailed throughput. There are suggestions that refiners processed about 5.1m b/d of crude over the first five days of February, which is 300k b/d below the level seen for most of January. The drone assaults forced Lukoil's Volgograd refinery to reduce the processing rates by more than half and runs remained halted at Rosneft's Ryazan facility.

On the energy calendar for the week, apart from the usual US inventory numbers, OPEC will publish its monthly oil market report tonight. Meanwhile, the IEA will also publish its monthly oil market report tomorrow. The broader markets will also be focused on US CPI data and the final comments from the semi-annual monetary policy testimony scheduled for the week.

Metals – Iron ore gains on supply woes

Iron ore has jumped to the highest level since October 2024 with prices approaching $108/t this morning as a tropical cyclone in Australia raised concerns about supply disruptions. Cyclone Zelia is expected to grow stronger as it heads towards Australia's Pilbara region and is forecast to hit near Port Hedland. Port authorities said they would close all operations this evening, clearing all berths. Pilbara has experienced above-average rainfall in recent months which has already impacted the miner's first-quarter production levels.

The latest report from the Philippine Nickel Industry Association suggests that the country's nickel ore output could increase by 10-15% in 2025, after a fall seen last year. Demand for nickel ore has been strong from Indonesia as domestic smelters face ore shortages due to government licensing issues. Meanwhile, demand from China also remains steady. However, lawmakers in the Philippines have filed a bill to ban/limit raw mineral exports to support the downstream industry, which might keep nickel ore supplies tight.

The latest LME COTR report shows that investors increased their net bullish position in copper by 5,224 lots for a sixth consecutive week to 73,763 lots for the week ending 7 February, the highest net long since 1 November 2024. A similar move has been seen in aluminium, with speculators increasing their net bullish bets by 2,109 lots to 119,588 lots over the last reporting week. This was the highest bullish bet since the week ending 15 November 2024. For zinc, money managers increased net bullish bets by 2,992 lots after declining for two consecutive weeks to 28,167 lots as of last Friday.

Agriculture – USDA lowers global grain ending stock estimates

In its latest monthly WASDE report, the USDA left the domestic corn balance sheet unchanged for 2024/25. Estimates for ending stocks were left unchanged at 1,540m bushels at the end of 2024/25. The market was looking for a number close to around 1,527m bushels. For the global market, the agency expects the corn balance sheet to be marginally tighter than its previous estimates, with corn inventory estimates lowered from 293.3mt to 290.3mt at the end of 2024/25; the market was looking for a number closer to around 292.8mt. Global corn beginning stocks for the year decreased to 315.8mt from its previous estimates of 317.5mt. Global corn production estimates dropped to 1,212.5mt (-1.9mt), following the supply losses from Argentina (-1mt), and Brazil (-1mt) due to unfavourable weather conditions. Meanwhile, global demand estimates were also revised down to 1,238mt from 1,238.5mt.

The USDA kept its 2024/25 domestic soybean ending stocks estimates unchanged at 380m bushels, higher than the average market expectations of around 378m bushels. The agency also left the production, and demand estimates unchanged at 4,366m bushels and 2,524m bushels respectively. Looking at the global market, the USDA revised down 2024/25 soybean production forecast to 420.8mt, down from the earlier estimate of 424.3mt, following the supply losses from Argentina (-3mt) and Paraguay (-0.5). In contrast, the global soybean consumption and beginning stock estimates were revised up by 0.7mt and 0.1mt to 406.2mt and 112.5mt respectively. The agency lowered the ending stocks estimates by 4mt to 124.3mt at the end of 2024/25. The market was expecting a number closer to 128mt.

In wheat, the USDA decreased its 2024/25 wheat domestic ending stocks estimates from 798m bushels to 794m bushels following an increase in the domestic use and flat beginning stocks. It was lower than the average market expectations of around 799m bushels. Meanwhile, the agency left production and export estimates unchanged at 1,971m bushels and 850m bushels. However, domestic demand estimates increased from 1,150m bushels to 1,154m bushels for 2024/25. For the global market, the USDA revised up the production projections marginally to 793.8mt (vs. 793.2mt), while demand estimates rose from 803.7mt (vs. 801.9mt), respectively. Stronger demand pushed down the ending stock estimates to 257.6mt, compared to earlier estimates of 258.8mt. This was lower than the average market expectations of 258.8mt.

Author

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

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