

## The Commodities Feed: SPR refill

The oil market eked out a small gain in what was a fairly choppy session yesterday. Further noise around the refill of the SPR provided support. For today, markets will be keeping a close eye on US CPI numbers



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### Energy - Further gains for oil

The oil market has managed four consecutive days of gains, which has taken ICE Brent back above US\$77/bbl, after falling as low as US\$72.33/bbl last Wednesday. Weaker Chinese trade data weighed on the market earlier in yesterday's trading session, [including weaker oil imports](#). However, further comments from the US Department of Energy relating to the refilling of the strategic petroleum reserves (SPR) provided some support to the market. It appears as though the US administration is still keen to refill the SPR later this year, once maintenance at storage sites is complete. Obviously, this will also be price dependent. Previously, the administration said that they would look to start replenishing the SPR if WTI traded in the region of US\$67-72/bbl.

Supply disruptions also continue to provide support to the market. As mentioned yesterday, wildfires in Alberta, Canada, have seen at least 234Mbbbls/d of oil and gas production shut in. These fires have occurred in the key gas-production region of Alberta, rather than in the oil-sands producing region. The situation is improving, with the number of active wildfires reported to have

declined from more than 100 earlier this week to around 88 more recently. Differentials for both Edmonton mixed sweet and Syncrude sweet crude have stopped strengthening.

API inventory numbers released overnight show that US crude oil inventories increased by 3.62MMbbls over the last week, quite different to the roughly 2.5MMbbls drawdown the market was expecting. In addition, gasoline inventories increased by 399Mbbls, whilst distillate stocks declined by 3.95MMbbls. Overall, the numbers were neutral to slightly bearish, given the larger-than-expected build in crude.

The EIA released its latest Short-Term Energy Outlook yesterday and US crude oil production forecasts for both 2023 and 2024 were revised slightly lower. The EIA expects output over 2023 to grow by 644Mbbls/d YoY to 12.53MMbbls/d, down from last month's forecast of 12.54MMbbls/d. Output for 2024 is expected to grow by only 159Mbbls/d YoY to 12.69MMbbls/d, down from a previous forecast of 12.75MMbbls/d. The more modest growth seen in US output has given OPEC+ the confidence to cut output without the worry of losing a significant amount of market share.

## Metals – Chinese unwrought copper imports fall

China released preliminary trade data for metals yesterday which showed total monthly imports for unwrought copper falling 12.5% YoY to 407.3kt (lowest since October) in April amid subdued demand due to persistent weakness in the property market. Higher domestic production of the metal also impacted the overall demand for imported copper. Cumulatively, unwrought copper imports have fallen 12.6% YoY to 1.7mt in the first four months of the year. In contrast, imports of copper concentrate rose 11.8% YoY to 2.1mt last month, while year-to-date imports rose 6.7% YoY to 8.76mt.

Iron ore imports fell 9.8% MoM to 90.4mt (lowest since June) last month due to weaker-than-expected demand during the construction season in China. Although, imports were up 5% YoY, whilst cumulative imports also increased 8.6% YoY to 385mt.

On the exports side, China's unwrought aluminium and aluminium products shipments fell 22.6% YoY to 462kt last month, while cumulative exports declined 17.3% YoY to 1.84mt in the first four months of the year. Exports of steel products jumped 55% YoY to 28mt between January and April.

## Agriculture – Black Sea grain inspections resume

UN data shows that grain exports from Ukraine fell 29% MoM to just under 2.8mt in April and shipments are expected to fall again this month following repeated headwinds with the Black Sea export deal. Vessel inspections have dropped to an average of 2.9 per day in May from an average of 4 per day in April and 5.6 per day in March. This is also well below the peak of 10.6 per day seen back in October. Inspections resumed yesterday after being blocked for two days. The Black Sea Grain Initiative is set to expire on 18 May and talks continue this week to extend the deal once again.

The latest trade numbers from China show that soybean imports rose 6% MoM to 7.26mt in April. Although YoY imports are down 10% YoY due to more stringent customs procedures delaying the delivery of soybean cargoes. Cumulatively, soybean imports rose 6.8% YoY to 30.3mt over the first four months of the year.

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