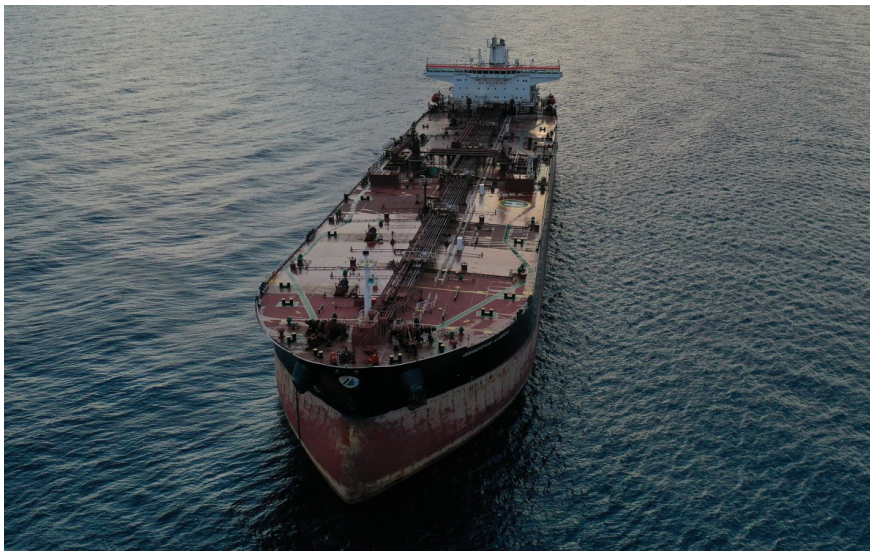


## The Commodities Feed: Spreads tighten for crude oil

ICE Brent prompt spreads increased to a five-year high of US\$1/bbl, reflecting stronger demand in the physical market. However, the inventory report shows otherwise. The API reported 8.4MMbbls of crude oil inventory built last week, larger than market expectations



Crude oil tanker moored near the Mediterranean port of Limassol, Cyprus

### Energy – Oil time spreads surge to multi-year highs

Crude oil has been trading soft in the morning session today largely amid signs of a larger inventory build in the US. However, time spreads tightened for both Brent and WTI showing stronger demand for crude oil in the physical market. Prompt spreads for ICE Brent crude increased to a 5-year high of around US\$1/bbl of backwardation while for WTI it tightened to around US\$0.6/bbl of backwardation.

Latest data from the American Petroleum Institute (API) shows that the US crude oil inventory increased by 8.43MMbbls last week, more than the average market expectations for a build of around 2.6MMbbls/d. If confirmed by EIA, this would be the fifth consecutive week of addition to the US oil inventories. Similarly, Cushing crude oil stocks are reported to have increased by 1.8MMbbls. However, product inventories saw declines with gasoline and distillate stocks falling by 3.3MMbbls and 0.5MMbbls respectively over the week ending 23 February. The more widely followed EIA inventory report will be released later today.

The focus is gradually shifting to the OPEC+ decision on voluntary output cuts for the second quarter of 2024. The group could announce its decision over the first week of March and expectations are that the group may extend the existing cuts considering the softer crude oil prices. Since announcing the voluntary cuts at the end of November 2023, ICE Brent has traded soft amid demand concerns and have just recovered recently only to November levels of US\$83/bbl. The demand prospects remain muted in the short-term due to the economic slowdown and the group may need to keep cuts in place to maintain market balance.

In products, gasoline margins in the US jumped to the intraday highs of US\$30.85/bbl yesterday, the biggest margin in over six months on account of relatively stronger demand on the back of a warmer winter season. Driving activity in the US remained relatively stronger over the past few months and supported gasoline demand. Meanwhile, distillate margins continue to move lower and are currently hovering near December lows.

## Metals – China’s aluminium demand could slow in 2024

Aluminium consumption in China will remain soft this year primarily due to the prolonged weakness in the country’s real estate sector, according to the latest report from Beijing Antaika Information Development Co.

Antaika now expects the aluminium demand to see only a modest gain of 1.7% year-on-year to 48.67mt in 2024 amid a slowing economy, compared to the annual growth of 7.6% seen a year earlier. The group further added that the demand from the construction sector (the biggest contributor) is expected to drop by 2.5% YoY to 15.2mt this year due to a decline in property completion. The construction sector’s share will account for about 31% of total usage in 2024, down from nearly 40% seen in 2017. However, Antaika remains optimistic about the growing demand from emerging industries such as new energy vehicles, solar power, and lithium batteries in the long term.

We believe that while there are some upside risks mainly to do with green energy growth in China, outside of China demand outlook remains lacklustre. Still, we believe that prices will start rising slowly this year as demand begins to recover gradually.

Our short-term outlook remains neutral to bearish for demand, and we do not foresee a substantial recovery before the second quarter of 2024, which should be the starting point for Federal Reserve rate cuts. There is a risk, however, for demand to weaken further if high inflation keeps interest rates high.

The latest LME COTR report released yesterday shows that investors boosted net bullish positions for copper by 2,204 lots for a second consecutive week to 68,879 lots in the week ending on 23 February. Similarly, net bullish bets for zinc rose marginally by 170 lots after three consecutive weeks of decline to 11,203 lots at the end of last week. In contrast, money managers reduced net bullish bets for aluminium by 8,460 lots to 111,516 lots as of last Friday.

## Agriculture – UNICA reports higher cane crush

The latest fortnightly report from the UNICA shows that sugar cane crushing in Centre-South Brazil stood at 0.55mt over the first half of February, compared to just 0.07mt during the same period last year, as the processing had almost completed by this time last year. The cumulative sugar cane crush for the season as of mid-February rose 19% YoY to 646.6mt. Meanwhile, sugar

production rose by 1051% YoY to 27kt over the first half of February. Around 37.6% of cane was allocated to sugar production over the fortnight, higher than the 23.6% allocated for sugar production in the same period last year. Cumulative sugar output so far this season stands at 42.2mt, up 25.6% YoY.

Weekly data from the European Commission shows that soft wheat exports for the season so far fell 3% YoY to reach 20.5mt as of 22 February, down from 21.1mt for the same period last year. The decline was mainly due to the availability of cheaper supplies from Ukraine. The primary destinations for these shipments were Morocco, Nigeria, and Algeria. Meanwhile, EU corn imports dropped 40% YoY to 11.5mt in the season so far due to higher domestic output this year.

## Author

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.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).