# The Commodities Feed: US CPI pushes oil higher

US CPI data came in below expectations which provided a boost to large parts of the commodities complex. NYMEX WTI hit year-to-date highs, while gold appears well supported above US$2,000/oz. For today, the market will be keeping an eye on OPEC's latest outlook for the oil market

Source: iStock

## Energy: WTI hits YTD highs

Oil prices continued to surge yesterday with ICE Brent settling more than 2% higher on the day, leaving prices above US$87/bbl. Meanwhile, NYMEX WTI managed to trade to its highest levels so far this year. US CPI data was supportive with both month-on-month and year-on-year numbers coming in slightly below market expectations. Following the data, our US economist still expects one more hike of 25bp in May and then for the Federal Reserve to start cutting rates towards the end of this year. Comments from the US energy secretary would have provided further support to the market. Jennifer Granholm suggested that the US administration would look to start refilling the US Special Petroleum Reserve this year if it is advantageous to taxpayers. Given that we see higher prices throughout the year, this means it is unlikely that the refill will happen this year.

Along with the strength in the flat price, timespreads for both Brent and WTI have strengthened. The recently announced OPEC+ cuts mean that the market will be even tighter than originally thought, which suggests the potential for further strength in timespreads later in the year. While we see a tighter market, there are clearly demand concerns and that is well reflected in weakening refinery margins, which have been largely driven by weakness in middle distillates.

OPEC+ supply cuts have also meant a narrowing in the Brent/Dubai spread. This spread has been trending lower for much of the year on the back of hopes of a strong Asian demand recovery with the China reopening. OPEC+ cuts, which will predominantly come from Middle Eastern producers, only offer further support to Dubai relative to Brent.

The market paid little attention to EIA weekly inventory data with all eyes instead on US CPI. US commercial crude oil inventories increased by 597Mbbls over the week, although crude stocks at Cushing fell by 409Mbbls. Meanwhile, gasoline and distillate fuel oil inventories declined by 330Mbbls and 606Mbbls, respectively.

The latest trade data from China this morning shows that crude oil imports in March surged to 12.37MMbbls/d, this is up from 10.66MMbbls/d in February and the largest volume seen since June 2020. Coal imports also grew by 41% MoM to 41.17mt - the strongest monthly import flows seen since January 2020. Strong import flows are likely a result of expectations of a recovery in domestic demand.

For today, OPEC will be releasing its latest monthly oil market report. The market will be eager to see what demand revisions, if any, the group make following the recently announced supply cuts from a number of members. Last month, OPEC forecast that global oil demand would grow by 2.32MMbbls/d in 2023.

## Metals: China's copper imports fall

Gold continued to trade comfortably above $2,000/oz (rising for a third straight session) yesterday as US inflation eased slightly. Total known ETF holdings for gold rose by 106.7koz (biggest daily addition since last Thursday) to 93.4moz.

China released its preliminary trade data for March this morning, which shows total monthly imports for unwrought copper fell 19% YoY to 408kt, while cumulative imports also declined 12.6% YoY to 1.29mt over the first three months of the year. Meanwhile, imports of copper concentrate fell 11.3% YoY and 7.5% MoM to 2.02mt last month. However, cumulative imports are still up around 5% YoY to 6.66mt. Iron ore imports were stronger, rising almost 15% YoY to 100.23mt in March, while year-to-date imports are up around 10% YoY to 294.34mt.

On the exports side, China's unwrought aluminium and aluminium products shipments fell 16.3% YoY to 497kt in March, while year-to-date exports declined 15.4% YoY. Meanwhile, exports of steel products jumped almost 53% YoY to 20.1mt over the first three months of the year.

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