

# 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 597Mbbbls over the week, although crude stocks at Cushing fell by 409Mbbbls. Meanwhile, gasoline and distillate fuel oil inventories declined by 330Mbbbls and 606Mbbbls, respectively.

The latest trade data from China this morning shows that crude oil imports in March surged to 12.37MMbbbls/d, this is up from 10.66MMbbbls/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 2.32MMbbbls/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.

## Authors

### Warren Patterson

Head of Commodities Strategy

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

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@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 <http://www.ing.com>.