

The Commodities Feed: US CPI release

Oil prices have strengthened in early morning trading due to a larger-than-expected US stock draw. However, the US CPI release today will be key for price direction



Energy - OPEC outlook unchanged

Oil prices came under pressure yesterday. ICE Brent settled almost 1.2% lower on the day. Stronger-than-expected US PPI data raised doubts about how soon the Federal Reserve could start cutting rates. Further pressure would have come from comments from Fed Chair Jay Powell who reiterated his message of caution over rate cut expectations. US CPI data out later today will be important for market direction. Could the stronger-than-expected PPI numbers and Powell's comments mean the potential for a stronger CPI number today? If so, it could put some further pressure on oil prices.

However, API numbers released overnight have supported oil prices in early morning trading today. According to the API, US crude oil inventories fell by 3.1m barrels last week, more than the roughly 600k barrel draw the market expected. In addition, crude oil stocks in Cushing fell by 600k barrels, while gasoline inventories declined by 1.27m barrels. Distillate stocks increased by a modest 349k barrels. The more widely followed EIA report will be released later today, however, it could be overshadowed by US CPI data.

There was little change to OPEC's outlook in its latest monthly market report. The group left its

demand growth estimates unchanged at 2.25m b/d and 1.85m b/d for 2024 and 2025, respectively. These numbers remain bullish relative to demand estimates from others, including the IEA. Non-DoC (Declaration of Cooperation) supply - essentially non-OPEC+ supply growth - was kept unchanged at 1.23m b/d in 2024 and 1.1m b/d in 2025. OPEC supply in April fell by 48k b/d month-on-month to 26.58m b/d, while OPEC+ supply fell by 246k b/d MoM 41.02m b/d. Despite Iraqi output falling over the month, it continues to pump above its target production levels. The IEA will be publishing its monthly oil market report today.

OPEC+ is also reportedly relooking at certain members' production capacity and whether they can produce at their stated capacity levels. Increasing capacity among some members will likely see them push for higher production levels for 2025. This leaves the risk of disagreement between members.

Metals – LME aluminium stocks surge

Aluminium stocks at the LME rose by 15% to their highest level since November 2021 after another big delivery into Malaysia's Port Klang warehouses yesterday. Inventories at the exchange now stand at 1.03 million tonnes after a 131,075 tonnes inflow. Tuesday's increase followed an influx of over 500,000 tonnes last Friday, also into Port Klang's warehouses. LME aluminium stocks have now doubled after the deliveries over the past week. The smaller proportion of cancelled warrants falling suggests these deliveries were fresh deliveries and not metal that was previously cancelled and moved back to live warrants. LME's country of origin stock data is not available yet. The new report covering these deliveries will be released next month and it will be interesting to see the origin of these deliveries. LME aluminium prices were little changed following the release of the data.

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