

## The Commodities Feed: US crude inventories edge lower

Oil prices recovered in the latter part of yesterday's trading session due to US inventory declines. However, there are still some lingering demand concerns



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### Energy – US gasoline demand still a concern

Having been under pressure for much of the trading day, oil prices recovered in the latter part of the trading session yesterday and settled higher. However, the broader weakness in the market will likely add further noise around OPEC+ output policy ahead of the next Joint Ministerial Monitoring Committee meeting. OPEC+ members will also become uncomfortable if Brent starts flirting with \$80/bbl, a level which is not too far away. As we have [mentioned previously](#), price weakness increases the likelihood that OPEC+ members will fully rollover their 2.2m b/d of additional voluntary cuts into the second half of the year, which risks overtightening the market later in 2024, assuming no downside surprises on the demand side.

The Energy Information Administration's (EIA) weekly inventory report aided the recovery in oil prices yesterday, which contradicted previously released API crude oil inventory numbers. EIA data shows that US commercial crude oil inventories fell by 1.36m barrels over the last week, different

to the 500k barrel build the API reported. The decline in crude oil stocks was driven by stronger exports, which increased by 550kk b/d WoW to 4.47m b/d, and stronger refinery activity. Refinery run rates increased by 1pp over the week to 88.5%, which saw crude oil inputs grow 307k b/d WoW. Stronger refinery activity meant gasoline and distillate inventories increased by 915k barrels and 560k barrels respectively, which were still lower than the builds the API reported this week. A recent concern for the oil market has been weaker than usual US gasoline demand. While demand increased over the week, the 4-week average implied gasoline demand is still at its lowest level since 2014 for this stage of the year at 8.63m b/d (excluding 2020 due to Covid). Concerns over gasoline demand have seen the prompt RBOB gasoline crack trade to its lowest level since February.

In Asia, weaker refinery margins will also be a concern and in recent weeks there have been reports of some refiners in the region cutting or set to cut run rates given the weakness. There will probably not be any respite for margins in the short term, particularly after China recently released its second batch of refined product export quotas for the year, totalling 14m tonnes. This takes total quota releases for 2024 to 33m tonnes, 18% higher than the first two batches of last year.

The US Department of Energy (DoE) is looking to purchase up to 3.3m barrels of US sour crude oil for delivery in October 2024, at a price no higher than \$79.99/bbl. This is slightly higher than the DoE had previously been willing to pay.

On the energy calendar for today, China will release its first batch of trade data for April, which will include oil import numbers. There will also be the usual weekly release of Singaporean refined product inventories and Insights Global will release data on ARA refined product stocks. Finally, the EIA will release its weekly US natural gas storage report, which is expected to show an increase of around 87Bcf over the last week.

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