

# The Commodities Feed: US crude oil inventories drop

The oil market edged higher yesterday, though the move was fairly modest when you consider the large draws seen in US crude oil inventories along with growing supply risks in West Africa.



Source: Shutterstock

## Energy - Large US crude draw

The latest EIA numbers show that US commercial crude oil inventories fell by 10.58MMbbls over the last week, which leaves total crude oil inventories at 422.94MMbbls - the lowest level since December 2022. Crude oil inventories at Cushing also saw further declines, falling by 1.5MMbbls, which takes crude oil stocks at the WTI delivery hub to below 30MMbbls and to a level last seen in January. Lower imports and higher exports were largely behind the large draw. As for refined products, gasoline inventories fell by 214Mbbls over the week, whilst distillate fuel oil stocks increased by 1.24MMbbls. This build was despite refiners reducing their run rates over the course of the week. Gasoline demand was stronger over the week, with implied demand increasing by 158Mbbls/d WoW, taking it back above 9MMbbls/d. This might be short-lived, with hurricane activity in Florida this week possibly weighing on demand.

Elsewhere, there are growing supply risks after a military coup in Gabon. The West African country

is an OPEC member and produces around 200Mbbbls/d. While the volumes are relatively small, clearly any disruption in what is already a tight market does not help. However, up until now, there have been no reports of disruptions to the oil supply.

In the coming days, the market should receive more clarity on what Saudi Arabia will do with its additional voluntary cut of 1MMbbbls/d. This cut was first implemented in July for a month, but the Saudis have rolled it over a couple of times already. Our expectation is that Saudi Arabia will extend this cut through into October. There are clearly still some broader demand concerns and returning this supply to the market could see Brent back below US\$80/bbl - something the Saudis would prefer not to see.

## Metals – China’s zinc imports surge to four-year high

The latest trade data from China’s Customs shows that refined zinc imports surged to a four-year high of 76.8kt in July, up by around 70% from the previous month. Cumulatively, China’s refined zinc imports have increased by 243% YoY to 175kt over the first seven months of the year. Stronger prices of zinc in the Chinese market compared to LME prices combined with healthy demand for galvanizing material has helped China’s zinc imports to recover strongly this year. Zinc inventories in SHFE warehouses have also dropped to a 7-month low of around 43kt, reflecting supply tightness in the physical market, which should also support stronger imports over the coming months.

The latest data from the International Aluminium Institute shows that global alumina output dropped by 0.2% YoY to 12.2mt in July as supply losses from Oceania, Europe and other regions offset the growth from China. China’s alumina production recovered to around 7.3mt in July, up from around 7.1mt in July last year. Cumulatively, global alumina production has dropped by around 0.8% YoY to 80.7mt over the first seven months of the year. China’s alumina output has increased by 4% YoY to 47.5mt over Jan-Jul, while alumina output from the rest of the world dropped 6.9% YoY to 33.1mt over the same period.

## Agriculture – Brazil coffee harvest progressing smoothly

Cooxupe, Brazil's coffee export cooperative, reported that the domestic coffee harvest is progressing well with 92% of the crop harvested as of 25 August compared to around 87% a week ago and around 91% at this point last season. Brazil has also reported good weather in recent weeks with the Minas Gerais region receiving more than normal rains, which should help the flowering process for new crops. However, coffee supplies from Vietnam remain tight as dry weather impacts the crop. The ongoing El-Nino weather pattern is usually associated with good rains in South America but dry weather in Asia that could tighten supplies of the Robusta variety. This also supports a narrowing of the Arabica-Robusta spread, which has dropped to an average of US\$36/lb in August compared to recent highs of around US\$100/lb in February.

## Author

### 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 [www.ing.com](http://www.ing.com).