# The Commodities Feed: US crude oil inventories grow

Oil prices came under pressure yesterday following an increase in US crude oil inventories, while a rebound in US treasury yields would have likely added further pressure

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## Energy - US crude inventories increase

Oil came under pressure yesterday with ICE Brent settling 1.56% lower on the day. A fourth consecutive week of builds in US crude oil inventories would have put some pressure on the market. The builds have also been enough to push the prompt WTI timespreads back into contango. The EIA's weekly inventory report made a comeback yesterday after its absence last week due to a planned system upgrade. So the market received 2 weeks of data from the EIA yesterday. The release showed that US crude oil inventories increased by 3.59MMbbls over the last week to a little over 439MMbbls - the highest since August. And this is after a 13.9MMbbls build in the previous week. While this still leaves stocks below the 5-year average, they are trending back towards more typical levels for this time of year. On the product side, gasoline inventories fell by 1.54MMbbls last week, after they fell by 6.31MMbbls the previous week. Similarly for distillate fuel oil, stocks declined by 1.42MMbbls, which follows on from a 3.29MMbbls draw the week before. The draws on the product side come despite a small uptick in refinery utilisation rates with stronger

implied demand for the week ending 3 November.

Activity data from China yesterday showed that refiners processed around 15.11MMbbls/d of crude oil in October, which is down from 15.5MMbbls/d in the previous month, but up a little more than 9% YoY. Cumulative refinery activity so far this year is up around 11.3% YoY. The broader increase in refinery activity this year is no surprise given the recovery we have seen in domestic demand this year, along with refiners having received more export quotas. The numbers suggest that apparent oil demand in October was 14.9MMbbls/d, down from 15.2MMbbls/d in the previous, but still up 11% YoY. Taking into account recent trade data, along with this set of activity data, Chinese crude oil inventories are estimated to have increased at a pace of a little less than 600Mbbls/d over October.

The US administration said that it would enforce oil sanctions against Iran following renewed tensions in the Middle East. While US sanctions have remained in place, the US has not enforced them strongly, which has allowed Iranian oil exports to grow this year. If we see stricter enforcement of these sanctions, we could possibly see anywhere between 500Mbbls/d-1MMbbls/d of supply lost, which would be enough to tighten up the global oil balance significantly through 2024. Offsetting any declines from Iran could be a marginal increase in Venezuelan supply (after the US eased sanctions) and the potential restart of Kurdish oil flows, which could bring in the region of 500Mbbls/d back onto the market.

## Metals – China's steel output falls

Copper, along with other major metals, edged higher yesterday following the release of strong industrial production numbers from China. China's industrial output rose 4.6% YoY in October (vs. market expectations of 4.4%), the strongest growth reported since April. Meanwhile, rising expectations of further stimulus from China provided a further boost to the complex.

Recent numbers from China's National Bureau of Statistics show that monthly crude steel production fell 1.8% YoY to hit year-to-date lows at 79.1mt in October, as domestic mills reduced output amid falling profit margins, rising raw material costs and an uncertain demand outlook. The daily run rate at domestic mills averaged around 2.55mt last month - the lowest since December 2022. However, cumulative output in the first ten months of the year is still up 1.4% YoY to total 874.7mt. Among other metals, primary aluminium production rose 6% YoY and stayed near record highs at 3.62mt in October. This leaves cumulative output at 34.5mt, up 3.7% YoY. Primary aluminium production in China has started to recover in recent months with idled capacity in Yunnan brought back.

## Agriculture – ISO cuts global sugar deficit estimate

In its latest report, the International Sugar Organization revised its 2023/24 global sugar deficit estimate to 335kt, less than the previous deficit forecast of 2.1mt. The revision reflects expectations of higher production from Brazil (estimated to rise from 38mt to 43mt). As a result, global production estimates were increased by 4.9mt to 179.9mt, whilst consumption estimates were also revised up from 177mt to 180.2mt for 2023/24.

Ukraine's Agriculture Ministry reported that total grain exports for the season fell 30% YoY to a total of 11mt as of 15 November. These shipments include 4.9mt (-41% YoY) of corn and 5.2mt (-12% YoY) of wheat. Exports through the Black Sea port route continue to remain impacted following a recent Russian missile attack on a civilian vessel at Odesa port last week.

France's Agriculture Ministry estimated French soft wheat inventories for the 2023/24 season at 3.1mt, higher than the previous month's estimate of 2.8mt. If realized, this would be the highest inventory level since the 2017/18 season. Soft wheat exports are seen at 17mt, down from earlier estimates of 17.3mt. As for corn, stockpile estimates were also increased from 1.64mt to 1.86mt.

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