

The Commodities Feed: US crude oil stocks surge higher

A large build in US crude oil inventories put pressure on oil prices, while bearish sentiment in natural gas continues



Source: Shutterstock

Energy - Large US stock build

The oil market came under pressure yesterday. ICE Brent settled a little more than 1.4% lower on the day. The catalyst for the move appears to be a bearish EIA inventory report, which showed that US commercial crude oil inventories increased by 12.02m barrels over the last week. The move was largely driven by lower refinery utilisation rates which fell by 1.8pp WoW to 80.6%. The continued outage at BP's Whiting refinery will have contributed to lower run rates, along with some other refinery maintenance. Lower refinery run rates meant that gasoline stocks declined by 3.66m barrels over the week. This is the second straight week of drawdowns, which has pushed US gasoline inventories below their 5-year average. And with spring refinery maintenance season ahead of us, we expect gasoline inventories to trend lower still over the next couple of months. As for distillate stocks, these also fell by 1.92m barrels. Adding to the bearishness of the report was poor implied demand over the week - both gasoline and distillates demand fell by 639k b/d and 303k b/d respectively.

Global natural gas markets remain under pressure with comfortable storage levels in both the US

and Europe, as we move closer to the end of the heating season, while forecasts for milder weather have added further pressure. European storage is a little more than 66% full, above the 5-year average of 51% for this time of year. The latest US storage data will be released today and the expectation is that storage fell by around 66bcf over the last week, considerably less than the 5-year average of 149bcf. Ample storage has seen US front-month Henry Hub futures briefly breaking below US\$1.6/MMBtu - the lowest level since 2020. Similarly, Dutch front-month TTF futures have fallen below EUR25/MWh - the lowest level seen for this time of year since 2021.

On the energy calendar for today, in addition to the US weekly natural gas storage report previously mentioned, the IEA will also release its monthly oil market report. This follows OPEC's monthly report earlier this week. We will also get refined product inventory data for the ARA region from Insights Global, while Singapore refined product inventory data will also be released.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

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>.