

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.

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