

## The Commodities Feed: US crude oil stocks swell

Commodities were lifted by broader market sentiment yesterday, while today, price direction will likely be dictated by US inflation data, which is expected to show a further decline



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### Energy - massive US crude oil build

Oil managed to benefit from a broad improvement in market sentiment in the lead-up to today's US CPI release. ICE Brent settled more than 3.2% higher on the day. Optimism around Chinese demand also appears to have provided some upside to the market. A number of signs, including an increase in crude oil import quotas, suggest a recovery in Chinese oil demand this year. Although the big uncertainty remains just how big a recovery we will actually see. In our balance sheet, we assume that China will make up 50% of the 1.7MMbbls/d of global demand growth expected this year.

A big build in US crude oil inventories was not enough to dampen sentiment in the oil market. The EIA reported that US crude oil inventories increased by 18.96MMbbls over the last week, which is the largest weekly increase since February 2021. The large build did not come as a surprise to the market, reflecting the refinery disruptions seen as a result of extremely cold weather in the US Gulf

Coast. Refinery utilisation across the US averaged 84.1% over the week, well below the 95.5% seen back in early December. Despite the fall in refinery activity, gasoline inventories still managed to increase by 4.11MMbbls over the week due to weak implied demand.

For European natural gas, prices came under pressure yesterday and TTF fell by more than 6.7%. However, colder-than-usual weather is expected next week across parts of North West Europe, which should see increased heating demand. But given that storage is more than comfortable for this time of the year (83% full) upside is likely limited in the short term.

## Metals – Copper climbs above \$9,000/t

Copper climbed above \$9,000/t for the first time since June on the back of continued optimism around China's reopening and support for the property sector. The red metal has also received a boost from the broader weakness in the USD, which has slid on expectations of a less hawkish Fed. Although today's US CPI numbers should provide more insight into what the Fed does next.

In ferrous metals, the most active iron ore contract on SGX continued to trade above \$120/t after Beijing stepped up policy support for its ailing property sector and on expectations of more stimulus and infrastructure spending.

In precious metals, gold climbed to an eight-month high on Wednesday – up around 15% since the end of October – amid a weaker US dollar and falling yields. Price direction in the short-term will be dictated by today's US inflation data.

## Agriculture – UNICA report higher cane crush

The latest fortnightly report from UNICA shows that sugar cane crushing in Centre-South Brazil stood at 2.6mt over the second half of December, compared to just 8kt during the same period last year. Cumulatively, crushing rose 3.6% YoY to stand at 542mt. Sugar production stood at 165kt over the 2nd half of December, with around 46% of cane allocated to sugar production. Cumulative, sugar output rose 4.4% YoY to 33mt so far in the season. Most mills would have finished their operations for the season, with UNICA reporting that just 6 sugar mills were still operating in early January.

### Authors

#### 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)

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