The Commodities Feed: US gasoline demand trends higher

Oil prices moved higher yesterday after a constructive inventory report from the EIA. In Europe, natural gas prices continue to come under pressure and we still see room for further downside

Energy – Little change in OPEC outlook

Oil prices rallied yesterday following a constructive weekly inventory report from the EIA. US commercial crude oil inventories declined by 3.44m barrels over the last week, more than the 1.92m barrel draw the API reported the previous day. This larger-than-expected draw came despite crude oil exports falling 402k b/d WoW and imports growing 213k b/d. This would have been partly offset by stronger refinery activity over the week. Refiners increased their run rates by 1.9pp, which led to crude oil input into refiners increasing 317k b/d WoW. Gasoline inventories also fell, declining by 2m barrels, while distillate stocks increased by 4.88m barrels. Implied demand for refined products fell by 334k b/d WoW. However, the 4-week average implied gasoline demand continues to trend higher, increasing by 89k b/d to 9.29m b/d, taking it above 2023 levels for the first time since March. This will ease some of the concerns that there have been over US gasoline demand as we move deeper into the US driving season.

The US Department of Energy has released a notice to buy a further 4.5m barrels of US-produced sour crude oil for the Strategic Petroleum Reserve. Delivery will be for October, November and December at a price no higher than US$79.99/bbl. While prompt prices are trading above this level, the forward curve is in backwardation with November and December WTI contracts trading sub-$80/bbl.

OPEC released its latest monthly oil market report yesterday which had very little in the way of changes to its balance. OPEC continues to hold onto its aggressive demand growth forecasts, expecting demand to grow by 2.25m b/d YoY in 2024 and then by a further 1.85m b/d in 2025. Non-OPEC+ supply growth was also left unchanged at 1.23m b/d for 2024 and 1.1m b/d for 2025. OPEC crude oil output averaged 26.57m b/d in June, down 80k b/d MoM. This decline was driven largely by Saudi Arabia and Iraq. Meanwhile, OPEC+ output in June (which includes the likes of Russia) fell by 125k b/d MoM to 40.8m b/d. Russia was the main driver behind this decline with its output falling 114k b/d MoM to 9.14m b/d. The IEA will release its latest monthly oil market report later today.

European natural gas prices continue to come under pressure as supply concerns subside. European storage is 80% full and we continue to hold a bearish view on TTF through the third quarter. The latest positioning data also shows that investment funds reduced their net long in TTF by 3.2TWh to 143.4TWh over the last reporting week. However, funds still hold a sizeable net long in TTF, which we still believe is at odds with the more bearish fundamentals.

Metals - LME copper inventories surge

LME copper inventories have jumped to the highest level since 2021, increasing by 4,450 tonnes to 195,475 tonnes yesterday. Most of the inflows were into warehouses in South Korea and Taiwan, which are the closest delivery points for metal coming out of China. Since early May, LME copper inventories have surged 90%.

At the same time, Chinese copper exports have grown, hitting an eight-year high in May, with supply from Chinese smelters expanding while domestic demand lags. China is usually a major net importer of refined copper; however, it still exports some volumes when it is profitable to do so.

Chinese metal accounted for over 45% of the copper stored in LME warehouses in June, up from 31.5% a month earlier. Meanwhile, total on-warrant stocks rose by 5,650 tonnes to 182,825 tonnes, while cancelled warrants decreased by 1,200 tonnes for a fifth consecutive session to 12,650 tonnes as of yesterday. The cash/3m spread continues to trade in a deep contango of $161/t, reflecting a comfortable prompt market.

Agriculture – Ukraine grain shipments rise

The latest data from Ukraine's Agriculture Ministry shows that Ukraine exported around 1.13mt of grains and legumes as of 10 July in the 2024/25 season (starting 1 July), a significant rise of 62% compared to the same period last year. Total corn shipments stood at 673kt (+60% YoY), while wheat exports rose 51% YoY to 320kt. The increase in exports was largely driven by the large beginning stocks in 2024/25 season.

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