

## The Commodities Feed: US oil inventory increases further

The latest Energy Information Administration (EIA) data show a continuous build-up of crude oil inventory in the US. Demand for US crude in the external market is strong due to the high discount to WTI; however, slower domestic demand continues to keep the market in surplus



At current price ratios, silver appears to offer better value for investors than gold

### Energy – High inventory puts pressure on WTI

The spread between Brent and West Texas Intermediate (WTI) active contracts widened to US\$6.5/bbl yesterday, increasing from US\$6.3/bbl a week ago and a recent low of around US\$4.3/bbl in early January, as the weekly EIA report continues to highlight the crude oil supply surplus in the US market. A heavier-than-usual refinery maintenance season in the country keeps domestic crude oil demand under pressure with refinery inputs staying below the five-year average so far in the year.

The latest data from the EIA show that US commercial crude oil inventories have increased by 1.2MMbbls over the last week, the tenth consecutive week of inventory build-up. The inventory gain was smaller than what American Petroleum Institute (API) reported yesterday at 6.2MMbbls and the market expectations of around 1.4MMbbls. US crude oil inventory has now increased by

around 60MMbbls since the start of the year, with total stocks sitting at 480.2MMbbls as of 24 February 2023 compared to the five-year average of around 437.8MMbbls at this point in the season.

EIA data also show that US crude oil exports increased to a record high of 5.6MMbbls/d (+1.03MMbbls/d WoW) over the last week as higher discounts of WTI over the Brent and healthy demand from Europe pushed up demand for US cargoes. Meanwhile, crude oil imports were down by 0.12MMbbls/d to 6.2MMbbls/d. As for refined product inventories, gasoline stocks fell by 874Mbbbls, while distillate stocks increased by a marginal 179Mbbbls. Refinery utilisation was also down 0.1% year-on-year to 85.8%.

## Metals – High gold-silver price ratio makes silver attractive again

The uncertainty around the US Federal Reserve rate hikes and economic slowdown concerns have been putting more pressure on silver compared to gold in recent weeks. Silver prices have dropped by around 13% since the start of the year whilst gold is largely flat. The gold-silver price ratio has increased from around 76 at the start of the year to 88 currently. At current price ratios, silver appears to offer better value for investors compared to gold. Meanwhile, gold exchange-traded fund (ETF) holdings continue to fall whilst silver ETF holdings have recovered significantly from lows in January. Bloomberg data show that total known ETF holdings of silver have recovered to around 762.3m oz currently after hitting a low of 738.5m oz in January 2023.

Brazil's iron ore exports recovered in February after falling sharply in the previous month primarily due to weather-related disruptions. The latest data from Brazil's Trade Ministry shows that monthly iron ore shipments from the nation rose 25.5% YoY and 2% month-on-month to 23.4mt in February. Earlier, iron ore shipments from Brazil declined more than 22% MoM in January which tightened the supply outlook for the raw material.

## Agriculture – ICCO foresees limited supply deficit for cocoa

The latest report from the International Cocoa Organization (ICCO) estimates a largely balanced market for cocoa in 2022/23 although supply risks remain due to inclement weather, especially in West Africa. The organisation expects global cocoa production to rise by 4.1% YoY to 5.02mt for the 2022/23 season. Total grindings are expected to decline marginally by 0.6% YoY to 5.03mt during the same period. Meanwhile, cocoa stockpiles are forecasted to drop by 3.5% YoY to 1.7mt in 2022/23. ICCO believes that these forecasts are subject to risks rising from climate change, crop diseases and the macroeconomic outlook. The most active contract of ICE Cocoa futures rose to the highest level in three years following the global supply shortage expectations.

The All India Sugar Trade Association trimmed its forecast for sugar production in the nation from 34.5mt to 33.5mt for 2022/23. The association said that the heavy rains caused waterlogging in the fields impacting the growth of cane. Meanwhile, there is potential for further downside to current estimates.

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