

The Commodities Feed: US oil output forecasts edge higher

Oil managed to move higher yesterday following the weakness earlier in the week. Meanwhile, US natural gas prices rallied on the back of forecasts for colder weather across parts of the US



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Energy - Stronger US oil supply growth

The oil market managed to move higher yesterday following the aggressive sell-off on Monday. ICE Brent rallied by a little more than 1.9%, while the prompt Brent time spread also managed to see its backwardation widen. However, for now, the flat price remains firmly below US\$80/bbl and with the balance expected to be fairly comfortable over 1H24, significant upside is probably limited.

The API reported overnight that US crude oil inventories fell by 5.2m barrels, which is more than the market was expecting. However, large builds were once again seen on the products side, with gasoline and distillate stocks increasing by 4.9m barrels and 6.9m barrels respectively. If the EIA's weekly report confirms a build in distillates, it will be the seventh consecutive week of stock increases, which will further help ease tightness concerns in the middle distillate market.

The EIA yesterday released its Short-Term Energy Outlook, which includes its latest US crude oil production forecasts. The EIA revised its US output growth for 2024 up from 190k b/d last month to 290k b/d. This would mean US crude oil output averaging 13.21m b/d this year. In its first forecasts for 2025, the EIA expects US production to grow by around 230k b/d YoY to 13.44m b/d.

While European natural gas continues to come under pressure amid comfortable storage, US natural gas prices rallied significantly yesterday with the front-month Henry Hub contract rising by more than 7% on the day to settle back above US\$3/MMBtu. Since the start of the year, Henry Hub has rallied by almost 27%. The more recent rally has been on the back of forecasts for cold weather through until the end of January. Currently, gas storage in the US is a comfortable 13% above its 5-year average at the end of December.

There is little on the energy calendar today, just the usual weekly US inventory report from the EIA, which is expected to show a similar trend to API numbers - a draw in crude inventories and builds in refined products.

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