

The Commodities Feed: US stocks build and bearish IEA outlook

Oil prices are under some pressure this morning with bearish US stock data, while the IEA's outlook on the market was relatively more bearish



Energy – Bearish EIA and IEA reports

Oil prices edged higher yesterday despite a fair amount of bearish oil data. Instead, the market appears to have focused on external developments, specifically US CPI data for May, which came in weaker than expected. However, attention has returned back to oil fundamentals this morning with prices under renewed pressure.

EIA weekly data was bearish. The report showed that US commercial crude oil inventories increased by 3.73m barrels over the last week. This large inventory build was due to stronger crude oil imports and weaker exports. Imports jumped by 1.25m b/d week-on-week to 8.3m b/d, the largest weekly import volume since 2018, while crude exports fell 1.31m b/d WoW. Developments in refined products were also relatively bearish. Gasoline and distillate fuel oil stocks increased by 2.57m barrels and 881k barrels respectively. Furthermore, while implied gasoline demand increased by 94k b/d WoW, the four-week average gasoline demand figure is still around 124k b/d lower year-on-year.

The IEA's monthly oil market report was also fairly bearish, with the agency revising down its demand growth forecasts further this month. The IEA now expects global oil demand to grow by 960k b/d this year, down 100k b/d from their previous estimates. Concerns over weaker demand

are not a surprise, given the weakness seen in refinery margins over much of the second quarter. This revision lower in demand growth only sees the divergence between IEA and OPEC forecasts grow, with OPEC still holding onto the view that oil demand will grow by 2.25m b/d this year. For 2025, the IEA expects oil demand to grow by 1m b/d. This modest demand growth coupled with strong supply growth means that OPEC+ could have to extend their additional voluntary cuts beyond the third quarter of this year rather than gradually unwinding them.

The IEA also published its Oil 2024 publication, in which it shares its view on the oil market through to 2030. Its latest long-term estimates suggest that global oil demand will only grow by 3.2m b/d between 2023 and 2030, and will level off at the end of this decade. This plateauing in demand will coincide with a rise in global production capacity. The IEA estimates that global production capacity will grow by 6m b/d to 113.8m b/d by 2030, which would leave production capacity at more than 8m b/d above projected demand.

European natural gas prices strengthened further yesterday. TTF settled more than 2.9% higher on the day on the back of supply concerns. These concerns remain related to Russian pipeline flows into Europe and the risk that Russia halts flows. This is because Uniper has been awarded EUR13bn in damages for gas which was not supplied by Gazprom. The risk is that if Gazprom does not pay Uniper these damages, buyers who are still receiving Russian gas could be forced to redirect payments due to Gazprom to Uniper instead. If this were to happen, the risk is that Gazprom would halt the remaining flows.

The EIA will release its weekly US natural gas storage report later today and the market expects that US storage grew by around 72Bcf over the last week.

Agriculture – Wheat balance tightens

The USDA's latest WASDE report saw the agency revise lower its global corn ending stock estimates for 2024/25 from 312.3mt to 310.8mt. This was also slightly below market expectations. In contrast, the USDA left the US corn balance sheet unchanged for 2024/25. Estimates for ending stocks were left unchanged at 2,102m bushels for 2024/25. For soybeans, US beginning stock projections were increased from 340m bushels to 350m bushels due to a lower soybean crush in 2023/24. With little change to the 2024/25 production/consumption numbers, ending stock estimates also increased by 10m bushels to 455m bushels.

Meanwhile, the global soybean balance sheet saw marginal changes with ending stock estimates falling by 0.6mt to 127.9mt for 2024/25, largely in line with market expectations. For wheat, the agency projects US supplies increasing by 17m bushels to 1,875m bushels for 2024/25. Despite expectations for higher output, ending stock estimates were revised down by 8m bushels to 758m bushels primarily due to higher export projections. Looking at the global market, the USDA lowered wheat ending stock estimates from 253.6mt to 252.3mt. The agency expects 2024/25 wheat production to fall to 790.8mt, down 7.4mt from the previous estimates, largely due to revisions in Russian, Ukrainian and EU output.

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.