

## The Commodities Feed: WTI advances on US product draws

Oil traded stronger with WTI prices moving above US\$80/bbl yesterday once again as a sharp drawdown in the product inventories indicated an uptick in the US summer fuel demand. US oil inventories also reported a smaller-than-expected build on higher refinery runs



Oil continues to trade strongly

### Energy – Oil supported by refined products strength

NYMEX WTI prices rose above US\$80/bbl yesterday as the EIA inventory report showed a large drawdown for products, raising hopes for strong fuel demand for the upcoming driving season in the US. Saudi Arabia's recent move to increase its official selling price for oil, along with OPEC+ members' agreement to extend the supply cuts until mid-year, is also supporting the current uptrend.

The EIA's weekly US inventory report for the oil market was somewhat bullish yesterday. US commercial crude oil inventories (excluding SPR) increased by 1.4MMbbls for the week ended on 1 March 2024 amid recovering refinery runs. The market was anticipating an increase of around 1.7MMbbls, while API reported a build of just 0.4MMbbls. When factoring in the SPR, the build was

higher, with total US crude oil inventories increasing by around 2.1MMbbls. Total US commercial crude oil stocks now stand at 448.5MMbbls, around 2% below the five-year average. Meanwhile, oil inventories at Cushing, Oklahoma, increased by 0.7MMbbls to 31.7MMbbls. Crude oil imports from the US increased by 0.84MMbbls/d to around 7.22MMbbls/d over the reporting week.

In refined product inventories, stocks of gasoline and distillate fuels decreased more than expected on rising fuel demand as the country heads towards the summer driving season. Gasoline inventories fell by 4.5MMbbls, against a forecast for a drawdown of 1.1MMbbls. Distillate stockpiles also fell by 4.1MMbbls last week, much higher than the expectation of a decline of just 0.3MMbbls. Meanwhile, refineries operated at 84.9% of their capacity following the restart of several refineries that completed maintenance, up from 81.5% in the previous week but 1.1% lower than the same period last year.

Meanwhile, recent [trade numbers from China](#) show that crude oil imports in the country rose 3.3% YoY to 10.74MMbbls/d over the first two months of 2024. However, the overall buying trend remains soft as the purchases were lower when compared to imports of 11.39MMbbls/d in December. China has been slowing its overseas purchases primarily due to slowing demand from refineries, weak economic indicators, and higher inventories.

Data from India's Petroleum Planning & Analysis Cell (PPAC) show that oil product consumption in February rose 5.7% YoY to 19.7mt. This was led by strong gasoline consumption, which rose 8.9% YoY to 3mt, while distillate demand also rose by 6.2% YoY to 7.4mt in the last month.

## Metals – China's copper imports recover

China released its preliminary trade data for metals this morning, which shows total imports for unwrought copper rose 2.6% YoY to 902kt in the first two months of 2024, up from 879kt during the same time last year. The recovering imports indicate improving domestic demand compared to the same period last year when the country just removed its COVID restrictions. However, the higher domestic output and elevated exchange inventory levels limited the gains. Meanwhile, imports of copper concentrate continue to remain stable and reported marginal gains of 0.6% YoY to 4.66mt in Jan'24-Feb'24, rose 1.4% as strong domestic refined output supported the import demand for raw material. In ferrous metals, iron ore monthly imports jumped 8.1% YoY to 209.5mt in the first two months of the year, primarily due to pre-holiday restocking demand by domestic steel mills. Meanwhile, the expectations of a seasonal pick-up in the end-use industry consumption during spring also helped to lift the import demand.

On the exports side, China's unwrought aluminium and aluminium products shipments rose 9.8% YoY to 966kt in the first two months of the year. Meanwhile, exports of steel products jumped 32.6% YoY to 15.91mt during Jan'24-Feb'24.

Meanwhile, LME data shows that cancelled warrants for zinc jumped 10,725 tonnes (the biggest daily addition since 22 December 2023) for a third consecutive day to 54,825 tonnes as of yesterday, the highest since early January. The increase was driven by warehouses in Singapore. Meanwhile, aluminium on-warrant inventories fell by 10,975 tonnes for a third straight session to 220,075 tonnes (the lowest since 13 February), while exchange inventories fell by 250 tonnes for a fourth consecutive day to 274,900 tonnes as of yesterday. The cash/3m spread for zinc tightened to a contango of US\$37/t as of yesterday, compared to a contango of US\$40.5/t a day earlier, indicating supply strain in the physical market.

## Agriculture – Chinese soybean imports fall

The latest trade numbers from Chinese Customs show that China's soybean imports fell 8.8% YoY to 13.04mt for the first two months of the year, compared to 14.3mt for the same period last year. These were the lowest imports for the period since 2019. Lower feedstock demand due to restrictions on pig production capacity is estimated to have hit soybean consumption in the country.

The latest data from the International Coffee Organization (ICO) shows that global coffee exports increased to 12.6m bags in January 2024, up 32.3% YoY. This includes Arabica exports of 7m bags (up 23.2% YoY) and Robusta exports of 5.6m bags (up 45.4% YoY). This leaves shipments between October 2023 and January 2024 at 45.1m bags, up 13.1% YoY.

The USDA is scheduled to release its monthly WASDE report later today. The market expects the agency to increase its US soybean ending stocks by 4m bushels to 319m bushels while trimming its corn ending stock estimates by 17m bushels to 2,155m bushels. Turning to global supply, the agency is expected to revise its Argentine corn and soybean output estimates slightly higher, while Brazilian corn and soybean production estimates are expected to be trimmed to 122.4mt (-1.6mt) and 152.8mt (-3.2mt), respectively. Global ending stocks for corn are expected to decline from 322.1mt, estimated in February, to 320.9mt. Meanwhile, for soybeans and wheat, ending stock estimates are also expected to fall to 114.7mt and 259.2mt, respectively.

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