

## Another week, another build in US oil inventories

The market was expecting a build in US inventories this week, and that is exactly what it got. Although whilst the expectation was for a large increase in crude oil inventories, it was in fact refined products which saw the bulk of the stock build



Source: Shutterstock

**+7.34** Increase in gasoline and distillate fuel oil inventories (MMbbls)

Better than expected

### Refined product inventories surprise

Heading into today's release, the market was expecting a sizeable 3.15MMbbls increase in US crude oil inventories over the week, according to a Bloomberg survey. So when the API yesterday reported that US crude oil inventories declined by 1.05MMbbls, it was no surprise that the market was a bit hesitant leading up to the weekly EIA release. The EIA reported that US crude oil inventories increased by 1.9MMbbls over the week, lower than market expectations.

However the market has still come under pressure following the report, due to the significant builds that were seen in both gasoline and distillate fuel oil inventories, which increased by 3.41MMbbls and 3.93MMbbls respectively. So what drove these stock builds?

## Early pick up in refinery run rates

It seems that refiners have finished up with maintenance season a bit earlier this year, with a strong recovery in refinery utilisation rates. Total crude oil inputs for the week averaged 16.8MMbbls/d, up 784Mbbbls/d WoW. It was this bounce back in utilisation rates, which drove the build seen in refined product inventories. In the absence of this stronger refinery activity, the crude oil inventory build would have been significantly higher.

Moving forward, we do expect to see further increases in US inventories, with the narrowing in the Brent-WTI spread reducing the attractiveness for US crude oil exports.

Adding to this, is the consistent growth in US crude oil output. The EIA estimate that production averaged 10.25MMbbls/d, up 332Mbbbls/d over the week. Given the recent pick-up in US drilling activity, we believe this production growth will continue moving forward.

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