# The Commodities Feed: Big crude builds and product draws

Your daily roundup of commodity news and ING views

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## Energy

Oil prices were fairly volatile yesterday, with ICE Brent trading in almost a US$2/bbl range, although the market did manage to claw its way back above US$68/bbl, and settle higher for the day. USD weakness would have offered some support. The EIA report would have also provided a boost. While the weekly numbers showed that US crude oil inventories increased by a significant 13.8MMbbls over the last reporting week, this build was more than offset by the large draws on the refined product side. Gasoline and distillate fuel oil stocks fell by 11.87MMbbls and 5.5MMbbls respectively. As mentioned in previous updates, this trend was expected, given that the refining industry in the US Gulf Coast has taken quite some time to get back up to speed following the freezing conditions seen in February. Refinery utilization increased by 13 percentage points over the week, however with refinery utilization at 69%, it is still well below the 83% seen in early February.

The disruptions as a result of the freezing conditions have meant that US crude oil inventories have started to trend quite a bit higher from the 5-year average once again. Ahead of the disruptions, US crude oil stocks had finally made their way back to the 5-year average, but now stand around

28MMbbls above this average, and not far off from 500MMbbls. With total gasoline stocks standing at a little under 232MMbbls, they are the lowest they have been in at least 5 years at this stage of the year. This has been supportive for gasoline cracks, with the front-month RBOB crack now trading above US$22/bbl, up from a little over US$10/bbl towards the middle of February.

Finally, after the surprise decision from OPEC+ to largely rollover current output cuts into April, we have seen more oil producers increasing their official selling prices (OSP). Over the weekend the Saudis increased their OSP for Arab Light into Asia for April shipment by US$0.40/bbl to US$1.40/bbl over the benchmark, and to the highest level since March last year. Yesterday Iraq followed suit, increasing its OSP for Basrah Light into Asia by US$0.15/bbl to US$1.30/bbl over the benchmark for April. Rising OSPs would not be welcome by refiners, as they have already had to deal with weaker margins more recently, following the rally we have seen in crude oil prices.

## Metals

A pause in rising US Treasury yields offered some support to the precious metals complex. Gold managed to hold onto its gains with an additional boost from a pickup in US headline inflation and a soft dollar. After a recent correction, platinum also sprang back yesterday, rallying over 2%. This is despite the latest report from the World Platinum Investment Council (WPIC) showing that they expect the platinum deficit in 2021 to shrink to 60koz from 932koz last year.

Copper also received a boost with concerns over a possible mine strike in Chile. Members of the main union at Antofagasta Plc's Los Pelambres mine rejected the company's final wage offer, moving a step closer to a potential strike. The mine produced 372kt of copper last year.

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