

# The Commodities Feed: Demand revisions prove supportive for oil

Your daily roundup of commodity news and ING views



## Energy

Oil prices received a boost yesterday, with ICE Brent settling more than 4.5% higher on the day, leaving it to trade well above US\$66/bbl, a level last seen almost a month ago. USD weakness has been supportive for oil as well as the broader commodities complex. Although we appear to be seeing some profit-taking in early trading in Asia this morning.

Oil fundamentals have also been constructive, with the IEA yesterday revising higher its global demand forecasts for this year by 230Mbbbls/d, given the revisions we have seen in global GDP forecasts recently. As a result the IEA now expects that 2021 global oil demand will grow by 5.7MMbbbls/d YoY, after contracting by 8.7MMbbbls/d last year. The agency does have a more constructive outlook for the second half of this year, estimating that almost 2MMbbbls/d of additional supply will be needed over the latter part of the year in order to meet demand expectations. This should not be a problem for the market, given that OPEC+ still have a significant amount of spare capacity, even after taking into account the 2.1MMbbbls/d of supply increases we will see from them between May and the end of July.

Weekly inventory numbers from the US were also supportive, with the EIA reporting that US crude

oil inventories declined by 5.89MMbbls over the last week, which was more than market expectations, and also larger than the 3.61MMbbls draw the API reported on Tuesday. In addition, gasoline stocks increased by just 309Mbbls over the week, which was much less than the 5.57MMbbls build the API reported. Implied demand over the week also increased, with total product supplied increasing by 1.09MMbbls/d.

## Agriculture

Sugar No.11 extended its gains yesterday, settling almost 2.8% higher, with supply concerns from Brazil and France. While the Center-South Brazil harvest is underway, drier-than-average weather could push sugar yields further down. After a record crop last year, expectations were that CS Brazilian sugar supply would fall moderately due to dry weather during the crop development period of October-March; however, continued lack of rains in the region means the risk of larger supply losses. In addition, a cold wave in France has led to some damage to the sugar beet crop there. The French sugar beet growers group, CGB estimates that current adverse weather could result in damage to more than 10% of the sugar beet crop. CGB estimates that between 30,000-55,000 hectares of beets have been damaged due to frost, out of a total beet area of 400,000 hectares. This suggests that the European sugar market is going to face yet another tight year.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@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 [www.ing.com](http://www.ing.com).