

# The Commodities Feed: Further US gasoline draws

Your daily roundup of commodities news and ING views



## Energy

The oil market has traded firmer during the morning session in Asia. API numbers overnight were once again supportive for the market. Crude oil inventories are reported to have increased by 567Mbbbls over the last week. However, there were continued product draws, with gasoline and distillate stocks falling by 4.22MMbbbls and 949Mbbbls respectively. The tightening in the US gasoline market will raise concerns over supply as we move into driving season. Tightness in the US is pulling in gasoline from elsewhere, including Europe, which is also looking increasingly tight. The US energy secretary has also not ruled out restricting petroleum exports, given rising prices. Up until now the US administration has been reluctant to go down this route and instead has focused on releases from the Strategic Petroleum Reserve. Whilst these releases may offer some relief to crude oil prices, they may do little to ease gasoline shortages if the bottleneck is on the refining side.

It's looking unlikely that differences over an EU ban on Russian oil imports will be resolved at next week's meeting of EU leaders. The Hungarian Prime Minister has reportedly said that meetings on 30 and 31 May would not be an appropriate place to discuss the ban, whilst the European Commission President has also made similar comments. Therefore, the uncertainty over a Russian

oil ban looks as though it will hang over markets for quite a bit longer. We continue to believe that the EU will eventually agree on a ban and, assuming it is not too different to the current proposal, we would expect the move to be supportive for prices, particularly over 2H22.

Austrian Gas Grid Management (AGGM) announced the results of its recent purchase tender for natural gas for strategic reserves. The tender attracted 189 bids, which ended up seeing AGGM buying 7.7TWh of storage at an average price of EUR124.50/MWh including storage costs through until April 2023. This price is well above the current prompt price in Europe of around EUR85/MWh. Austrian gas storage levels are well below average at the moment - inventories are 29% full compared to a 5-year average of almost 45% at this stage of the year.

EU allowances saw somewhat of a recovery yesterday, following the weakness seen over the past week due to EU plans to sell EUR20b worth of allowances from the Market Stability Reserve. The Dec-22 contract rallied by 4% yesterday to settle at EUR81.32/t, although it is still some distance from the more than EUR92/t we saw it trading at early last week. The catalyst for yesterday's move appears to be comments from an EU official who was more supportive about the role that financial institutions play in the EU carbon market. This comes after the EU Parliament's Environment Committee supported a proposal to restrict speculative activity in the EU carbon market.

## Agriculture

There appears to be a growing trend of protectionist measures taken by governments around the world, given concerns over food security and inflationary pressures. After India recently surprised the market with a ban on wheat exports, the Indian government has now announced that it will limit sugar exports to 10mt in the current 2021/22 season, which ends in September. India is set to be the third-largest sugar exporter this season, behind Brazil and Thailand. The announcement is somewhat surprising, given that India has had a very strong sugarcane crop this season. However, as reflected in the price action, the market is not too concerned at the moment about this export limit, given that most in the market have been expecting Indian sugar exports this season to total around 9mt, so below the export limit. The bigger concern is that we see other countries taking similar action when it comes to agricultural commodity exports. Apart from the action taken by India, Malaysia is also set to ban chicken exports, whilst Indonesia has gone back and forth on a palm oil export ban.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.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>.