

# The Commodities Feed: Gasoline stocks edge higher

Your daily roundup of commodities news and ING views



## Energy

ICE Brent gave up all of its early session gains yesterday to settle almost 1.5% lower. This follows the EIA report, which showed relatively sluggish gasoline demand. The latest data from the EIA, which included 2 weeks of data, showed that US commercial crude oil inventories declined by 2.76MMbbls over the last week (while over the last 2-week period commercial stocks fell by 3.15MMbbls). Taking into account SPR releases, total US crude oil inventories declined by 9.71MMbbls over the week. Crude oil stocks at Cushing fell by 782Mbbs (and 1.35MMbbls over the last two weeks) to stand at just 21.26MMbbls, which is the lowest level of inventory held at the WTI delivery hub since October 2014. Despite these declines in crude stocks, the WTI prompt spread has weakened from its recent highs.

The more bearish part of the release was on the refined products side. Gasoline inventories increased by 2.65MMbbls over the week (and by 4.13MMbbls over the last 2 weeks). Higher run rates at refineries would have helped, with refiners increasing utilization rates by 1 percentage point to 95% over the week - the highest level since September 2019. Given the strength in refinery margins, it is no surprise to see refiners trying to maximize throughput at the moment. Higher gasoline prices also appear to be weighing on demand. Implied gasoline demand over the last

couple of weeks has lagged the 5-year average. Distillate stocks also increased over the week by 2.56MMbbls (2.69MMbbls over the last 2 weeks).

OPEC met yesterday, and as expected no decision was made by the group. Instead, they will wait for today's broader OPEC+ meeting to decide on output policy for August. We expect the group will confirm the already agreed supply increase of 648Mbbls/d for August.

According to reports, there has been little progress in the Iranian nuclear talks that have been taking place in Doha between the EU and Iran. We believe that an Iranian nuclear deal will take time, and so are assuming that there will be little change in Iranian oil supply for the remainder of this year. We are currently expecting Iranian supply to grow over the course of 2023, which is one of the key factors supporting our view that oil prices will move lower next year.

## Metals

The latest move by the UK government to impose sanctions on Vladimir Potanin, a major shareholder in MMC Norilsk Nickel PJSC, sparked jitters in both the palladium and nickel markets yesterday. Palladium prices jumped as much as 8% at one stage, whilst LME nickel surged more than 9% at one point. Both markets have since given back some of these gains. It is still not clear whether the sanctions on Potanin are going to impact Norinickel, as the sanctions list had no mention of the producer. While the UK is not an important market for the company, there are potential implications for the London Metal Exchange. According to reports, the LME is looking into the possible impact from these new sanctions, and what it could mean for the exchange and participants.

As for Aluminium, there are reports that at least two Japanese buyers have agreed to pay premiums of US\$148/t for 3Q22, a decline of 14% from the previous quarter and the lowest level since 2Q21. The fall in premiums reflects weakening demand in the automotive sector and ample domestic aluminium stocks.

Chilean copper miner, Antofagasta and Chinese smelters Jiangxi Copper Co. and Tongling Nonferrous Metals Group Co. agreed on treatment charges of US\$76/t for copper concentrate for the first half of 2023, above the US\$54-55/t seen in similar contracts a year earlier.

## 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>.