

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 Nor Nickel, 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

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