

The Commodities Feed: Large inventory build

Your daily roundup of commodity news and ING views



Source: Shutterstock

Energy

The oil market remained firm after the militant attack on the Khabbaz field in Iraq, and it largely shrugged off a big inventory build in the US market.

Both Brent and WTI continued to trade marginally higher this morning. The EIA's weekly oil market report shows that US crude oil stocks increased by a huge 15.2MMbbls over last week - the biggest weekly build since April this year as crude oil exports slumped. US crude oil inventory has now surged to 503.2MMbbls, the levels last seen in August 2020 and around 48.8MMbbls above the 5-year average for this point in the season. The move higher in inventory was predominantly driven by the surge in net imports by 2.7MMbbls/d over the last week. Crude oil exports from the US dropped by 1.6MMbbls/d over the week to 1.8MMbbls/d mainly due to closure of Houston ship channels owing to bad weather whilst crude oil imports increased by 1.1MMbbls/d to 6.5MMbbls/d.

Turning to products and gasoline inventory increased by 4.2MMbbls whilst distillate inventory increased by 5.2MMbbls over the last week. Refinery operating rates increased by 1.7% over the last week to 79.9% and helped products supplies to increase in the domestic market; however, the

refinery utilization rate is still down 10.7% YoY due to weak refinery margins and relatively slower products demand. The higher inflow of gasoline and distillate from Europe also helped the stock build over the last week.

Metals

With vaccines already being rolled-out in the UK with Canada to follow next week, and (Pfizer/BioNTech) reaches the last step in the US as a committee is planned to hold a voting meeting on Thursday has helped to bolster the demand for risk assets while investors are still focusing on further updates on the Covid-19 relief stimulus package from the US. The surge in the Chinese ferrous sector also carried those steel-exposed metals such as zinc and nickel that both had a strong run during yesterday's London sessions.

In aluminium, prices rallied in the Shanghai market and followed by London after the prices remained pressure in the past few days. The LME 3M aluminium yesterday closed higher by over 2.2% as winter cuts hitting some Chinese alumina refineries helped to fuel the bullish vibe ([see note](#)). According to data on Thursday, both aluminium ingots and billet inventories are still on a moderate decline which continued to support the market.

The LME copper continued to hold the gains amid the DXY weakness. Meanwhile, mining company MMG confirmed that the road transport resumed after community protesters removed roadblocks at Peru based Las Bambas mine-subsiding risks of copper mine supply.

Agriculture

Latest data from China's National Bureau of Statistics shows that total grains output in the country increased 0.9% YoY to 669.5mt for 2020 with total acreage growing 0.6% YoY to 116.8m hectares. Soybean saw the biggest gain in terms of production growth with output increasing 8.3% YoY to 19.6mt as soybean acreage increased 5.9% YoY to 59.9m hectares. Corn output was largely flat at around 260.7mt (down only 0.1mt YoY) despite floods and adverse weather in part of the country. Wheat output increased 0.5% YoY to 134.25mt.

Argentina's grain inspectors and oilseed workers have started a wage strike yesterday which may interrupt grains shipments from the country. Argentina has been witnessing frequent disruptions at the ports recently due to worker's strike over the wages as the country witnessed high inflation and workers demand to keep wage growth above the inflation. However, this is not a peak season for exports in the country with sowing for corn and soybean currently underway and hence the strike's impact on exports may be limited in the immediate term.

Author

Warren Patterson

Head of Commodities Strategy

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 www.ing.com.