

# The Commodities Feed: Large US product builds

Your daily roundup of commodity news and ING views



Source: Shutterstock

## Energy

Oil struggled to move higher yesterday, with a rebound in the USD not helping the market. Meanwhile, the EIA reported that US crude oil inventories fell by more than 3.2MMbbls over the last week, which was broadly what the market was expecting. However, the surprise was the large product builds, which more than offset the drawdown in crude oil inventories. Gasoline and distillate fuel oil stocks swelled by 4.4MMbbls and 4.8MMbbls respectively. The product builds were driven by a further increase in refinery activity over the week, with refiners increasing their utilization rates by 1.3 percentage points to 82%, the highest rates seen since August last year, while exports of both gasoline and distillate fuel oil came under pressure over the week.

OPEC will release its monthly oil market report later today and will give its views on the state of the oil market. Given the surge in Covid-19 cases in recent weeks, along with the fresh lockdowns announced, there is the potential that OPEC will make further downward revisions to its demand estimates. In the group's previous report they estimated that global oil demand would grow by 5.9MMbbls/d YoY in 2021, after having fallen by an estimated 9.77MMbbls/d in 2020.

## Metals

LME aluminium nearby spreads have tightened into a small backwardation with the cash/3m spread trading at US\$2.5/t as of Wednesday. Increased downstream restocking activity and limited supply availability have led to tightness in the physical market across major regions, and physical premiums have risen reflecting the short-term market dynamics. Scrap supply-chain disruptions due to Covid-19 have led to tighter secondary supply. In the US market, prices of used beverage cans have risen by 32% since the lows seen last July.

Iron ore prices have seen a bit of a selloff, with market participants continuing to closely watch the Covid-19 outbreak in Hebei province in China. Reports of lockdowns of several cities in the province are having a limited impact on steel production, but restrictions on logistics are affecting the transportation of goods.

## Agriculture

CBOT corn continued to strengthen yesterday after the USDA's WASDE report earlier in the week showed a tighter market ahead for the grain. Brazil's CONAB revised down its corn production estimate slightly from 102.6mt to 102.3mt for the 2020/21 marketing year, mainly due to lower yield expectations. Brazilian soybean production estimates were also revised down from 134.5mt to 133.7mt; however, soybean production in Brazil will still be up 7.1% YoY on account of higher acreage (+3.4% YoY) and better yields compared to last year (+3.6% YoY).

## 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 [www.ing.com](http://www.ing.com).