

# The Commodities Feed: Middle distillates continue to tighten

Your daily roundup of commodities news and ING views



## Energy

The oil market was fairly choppy yesterday. ICE Brent traded in a little over a US\$3/bbl range over the course of the day but managed to settle higher. The market appears to be supported by reports that Germany would be willing to support a phasing out of Russian oil, much as we are seeing with coal. If the EU was to go ahead with an orderly phasing out of Russian oil, this would obviously have less of an impact on prices compared to a situation in which we were to see an overnight ban. Phasing out Russian oil over several months would allow time for trade flows to adjust and also be necessary for existing contracts to come to an end.

The EIA's weekly report was fairly neutral for crude oil. Commercial crude oil inventories increased by just 629Mbbbls, although when SPR releases are taken into consideration, total US crude oil inventories declined by 2.22MMbbbls. Cushing crude oil stocks increased by 1.3MMbbbls to 27.45MMbbbls, which is the highest level since early February. Stocks at the WTI delivery hub are still at historically low levels. Refined product inventories edged lower. Gasoline and distillate fuel oil stocks declined by 1.57MMbbbls and 1.45MMbbbls respectively. US distillate stocks have declined by more than 21% YoY and inventories are at their lowest levels since 2008. The situation looks even more dire when we look to the US East Coast, where distillate stocks are down at levels last seen

back in 1996. It is no surprise that we continue to see plenty of strength in the middle distillate market. The backwardation in US heating oil has strengthened significantly over the last week, whilst heating oil cracks have also surged higher. This is not a trend isolated to just the US, we are seeing tightness globally when it comes to middle distillates. These strong cracks should be sending a very clear signal to refiners to either maximise middle distillate yields or increase run rates.

## Metals

Industrial metals were buoyant earlier in the trading session yesterday with tentative signs that the Covid situation was stabilising in Shanghai. President Xi also pledged to step up infrastructure construction to bolster the economy at a meeting of the Central Committee for Financial and Economic Affairs. However, the dollar index surged to a five-year high as the day progressed, which led to copper surrendering all its earlier gains. In addition, the European gas payment standoff lent some support to aluminium and zinc, as supply concerns flared up again after [Russia cut off gas supplies to both Poland and Bulgaria](#). This helped to shield the two metals from the stronger dollar.

LME copper stocks surged to 148.5kt on Wednesday, increasing 67% year-to-date, largely due to arrivals at exchange warehouses based in Asia. Chinese copper smelter, Xiangguang, is said to restart after getting a rescue deal with another state-owned trading house, Xiamen Jianfa, which should avoid further refined copper production losses. The rally in spot treatment charges stalled at just below \$85/t compared to \$60/t at the start of the year. On the mine side, authorities in Peru declared a state of emergency around the Las Bambas copper mine, which has seen operations disrupted due to protests. Authorities have now reportedly evicted protestors in order to allow operations to return to normal.

## Agriculture

Crude palm oil prices jumped more than 10% yesterday after Indonesia announced that it would now include crude and refined palm oil in an export ban which starts today. Previously, it was suggested that the export ban would be imposed only on higher-value products including RBD palm Olein. However, Indonesia has decided to go a step further and restrict exports of all forms of palm oil to improve availability for the domestic market. Indonesia exported around 28mt of palm oil in 2021, largely to India, China and other Asian countries. The lack of this supply is likely to push up demand for alternative edible oils, including soybean oil and rapeseed oil among others. Surging palm oil prices in turn have been supportive for soybean oil and as a result for soybean prices as well.

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